Capvion Insights

Strategic perspectives on capital, growth and transformation

Beyond the Multiple: The Capability Premium in Technology Valuations

Why demonstratable capability, market momentum, and un-modeled upside drive enterprise value beyond ARR

Sander Barens | March 23, 2026
with associates

Capvion Insights provides strategic perspectives on value creation, transformation, and leadership in technology and telecommunications businesses.

Each publication examines how strategy, capital, and execution interact to shape enterprise value in complex markets.

Drawing on extensive board-level, advisory, and operational experience, Capvion and its associates combine strategic thinking with real-world execution across numerous M&A transactions, platform integrations, and growth transformations in the technology and telecom sectors.

Our insights are designed to support founders, executives, and investors in navigating complex growth, restructuring, and transaction environments.

Each publication reflects Capvion's commitment to clarity, independence, and practical relevance.

Executive Transaction Insight

Annual Recurring Revenue (ARR) is the industry's favorite yardstick. It signals growth, predictability, and scalability. But in high-stakes transactions, the most valuable assets rarely appear on the balance sheet.

Experienced buyers, whether strategic acquirers or private equity investors, rarely value a company on revenue metrics alone. The real value often sits in intangible assets: intellectual capital, proprietary processes, ecosystem positioning, organizational momentum, and the culture that enables teams to execute and innovate consistently.

In many cases, culture itself becomes a strategic asset. Companies that have built strong execution cultures, where teams move quickly, collaborate effectively, and adapt to complex market conditions, often deliver outcomes that are difficult for competitors to replicate.

There is a persistent value gap between what companies report and what buyers are actually acquiring. To close it, leadership teams must shift their focus from what they earn to what they are capable of.

This gap between reported financial performance and true strategic value is what we refer to as the **Capability Premium**.

Key Takeaways

- Technology company valuations often rely heavily on ARR and EBITDA metrics, but these rarely capture the full strategic value of a business.
- A significant portion of enterprise value sits in intangible assets such as intellectual capital, operational processes, customer relationships, ecosystem positioning, and organizational capability.
- Demonstratable capability, the ability to clearly show future growth potential through early execution and proven direction, is often a critical driver of valuation.
- A high-quality commercial funnel can represent meaningful future value when supported by a repeatable go-to-market capability and strong opportunity management.
- Strategic buyers frequently evaluate forward-looking EBITDA potential, including cost synergies and operational efficiencies achievable after integration.
- Successful integrations can unlock substantial value through system consolidation, process alignment, and organizational efficiencies, while poorly executed integrations can significantly increase operational complexity and costs.
- In transactions, sellers aim to highlight un-modeled upside, while buyers seek to identify these value drivers before they are fully reflected in valuation expectations.
- The most valuable companies are often those that combine capability, market momentum, and ecosystem positioning, enabling buyers to accelerate growth rather than build capabilities from scratch.

Context

Over the past two decades, valuation frameworks have become increasingly standardized.

Technology companies are typically benchmarked using combinations of:

- ARR multiples
- EBITDA multiples
- Growth rates
- Cash flow projections

These metrics provide useful comparability across companies. However, they rarely capture the true strategic value of a business.

In every transaction, buyers implicitly evaluate what we call the “Capability Premium” by comparing two scenarios: building the capability internally or acquiring it externally.

In practice, buyers compare two scenarios.

Scenario A: Build Internally

- Hire scarce and expensive talent
- Align internal roadmaps and legacy systems
- Develop go-to-market and operational processes from scratch
- Absorb execution risk over multiple years

Scenario B: Acquire Externally

- Obtain a turnkey, working platform
- Acquire a trained, high-performing team
- Access an established customer base and ecosystem
- Accelerate time-to-market immediately

The difference between those two scenarios often explains why similar companies can trade at very different valuations.

Analysis

Having participated in multiple acquisitions and exits, both selling companies to private equity investors and acquiring businesses to build larger platforms, one observation consistently emerges:

- The most valuable companies have capabilities that are difficult to replicate, not just revenue that is easy to measure.

- Several drivers typically define this capability premium; the additional enterprise value created by capabilities that cannot yet be fully expressed in financial metrics.

Demonstratable Capability

One thing is to have a proven product or solution; another is to demonstrate the capability to consistently deliver what comes next.

This includes platforms that are operational but not yet fully scaled, new products already deployed with early customers, or data models with clear expansion potential.

Buyers effectively pay for the future delivery that the company has already begun to de-risk.

Examples include:

- platforms that are operational but not yet fully scaled

- new products or services already deployed with initial customers
- technology and data models that demonstrate clear expansion potential
- operational processes that can support significantly higher volumes

In these situations, buyers are not only acquiring what exists today. They are acquiring what the organization has shown it is capable of delivering next.

With additional capital, resources, and market access, the acquiring organization can often accelerate the development curve dramatically.

The value therefore lies not only in proven performance, but also in credible, demonstratable future capability.

Market Momentum and Pipeline Quality

Revenue reflects past performance. Market momentum is reflected in the commercial funnel.

A robust pipeline of qualified opportunities signals future revenue potential, especially when supported by a repeatable go-to-market engine.

When buyers see a functioning engine that generates and converts complex deals, they see predictable future growth.

A robust pipeline of opportunities, even if not yet converted into revenue, can represent significant value if the organization has demonstrated the capability to:

- consistently generate demand
- qualify opportunities effectively
- convert complex deals
- scale customer acquisition processes

In this context, the value does not only sit in the funnel itself.

It sits in the capability to build and manage that funnel, which can generate predictable growth over time.

When buyers see a functioning go-to-market engine that consistently generates and converts complex deals, they forsee predictable future growth.

Ecosystem Position

Companies rarely operate in isolation.

Value often sits in the "un-buyable" assets:

- long-standing customer relationships
- supplier and partner integrations
- regulatory approvals
- industry credibility and strong governance

These ecosystem positions often take years to build but can be transferred immediately through acquisition.

In many industries, particularly telecommunications and platform markets, ecosystem positioning can represent one of the most defensible and valuable assets a company possesses.

Organizational Momentum

A functioning management team, operating model, and culture of execution can dramatically accelerate growth after a transaction.

Buyers are often willing to pay a premium for businesses where the engine is already running.

Operational discipline, leadership alignment, and the ability to deliver consistently in complex environments are assets that are rarely reflected directly in financial models, yet they significantly reduce execution risk for the buyer.

Integration Value: The Synergy Upside

Strategic buyers evaluate forward-looking EBITDA potential.

A business that looks modestly profitable alone can become a powerhouse when integrated into a larger platform through system consolidation and process alignment.

When integration is executed well, significant value can be unlocked through:

- overlapping personnel functions
- streamlined operational processes
- consolidation of systems and platforms
- procurement leverage and scale advantages

These synergies can reduce operational costs substantially and accelerate profitability after the transaction.

A Warning on Complexity**:** Poorly executed integrations, common in the telecommunications sector

The industry has seen many examples where acquisitions led to:

- duplicated systems
- fragmented processes
- increased operational overhead
- prolonged organizational complexity

Instead of creating efficiency, these situations can push operating costs significantly higher.

Integration capability therefore becomes a critical but often underestimated component of transaction value.

Transaction Dynamics: The Seller and Buyer Perspective

The valuation discussion also changes depending on which side of the transaction one sits.

When selling a company, the objective is to highlight the elements that maximize enterprise value.

This typically involves making visible:

- demonstratable capability
- intangible assets
- ecosystem positioning
- market momentum and pipeline strength
- the potential for future growth under new ownership

In other words, the seller's task is to make the un-modeled upside as clear and credible as possible.

Buyers approach the same elements from the opposite perspective.

Their objective is to identify these value drivers before they are fully reflected in the seller's valuation narrative.

Recognizing demonstratable capability, integration synergies, and market potential early allows buyers to capture future value creation while acquiring the business at a more favorable price.

This asymmetry between recognized value and realized value is where much of the opportunity in transactions lies, or sometimes, opportunities are missed.

Capvion Perspective

In our experience advising companies, investors, and operators across numerous transactions, sophisticated buyers consistently look beyond the spreadsheet.

Three dimensions often shape how enterprise value is ultimately assessed.

Replication Difficulty
How difficult would it be to recreate this company internally?
The harder it is to replicate, technologically, operationally, or commercially, the higher the strategic value.

Strategic Time Compression
How many years of R&D and market entry does this acquisition eliminate? Reducing a roadmap by years justifies a significant premium.

Un-Modeled Upside
What future potential is enabled by the existing foundation? Real enterprise value lies in the capability to earn far more than current metrics suggest.

When a company demonstrates the ability to deliver complex services, scale operations, build ecosystems, and generate strong market pipelines, its future revenue potential may be far greater than current financial metrics suggest.

"The real value of a company is not what it earns today, but the demonstratable capability to earn far more - the un-modeled upside that no spreadsheet fully captures."

Conclusion

Financial metrics remain essential indicators of company performance. But they rarely capture the full picture.

In modern technology and platform businesses, a significant portion of value is driven by factors that sit outside traditional financial statements:

- intellectual capital
- data and systems integration
- operational processes
- ecosystem relationships
- market momentum
- organizational capability
- post-transaction integration capability

Ultimately, buyers are not just purchasing current revenue.
They are purchasing demonstratable capability, future opportunity, integration potential, and the time saved by not having to build it themselves.

About Capvion

Capvion is a strategy and capital advisory firm that works with leadership teams, investors, and entrepreneurs on complex growth, transformation, and value creation challenges.

The firm combines strategic insight with hands-on operational and transaction experience across technology and telecommunications markets, advising companies and investors on corporate strategy, mergers and acquisitions, transaction readiness, and enterprise value optimization.

Capvion operates as a senior-led advisory boutique, working closely with a network of experienced associates and industry specialists. This model allows the firm to bring in the right expertise at the right moment, combining strategic clarity with deep domain knowledge across transactions, integrations, and operational transformation.

Through its advisory work and publications such as Capvion Insights, the firm shares practical perspectives on how strategy, execution, and capital interact to shape enterprise outcomes.

For more information visit www.capvion.com or contact **insights@capvion.com.**