

Investor AI Diligence Brief Example

MedScribe AI [fictional] | Growth Equity | May 2026

Our Read

The retention data is being misread.

MedScribe has 28 enterprise customers and a net revenue retention number that looks acceptable at 104%. *[In a real engagement: customer count and NRR from CRM and financial data room; engagement curve from product analytics.]* It isn't. Physician engagement drops consistently at day 45 to 60 across every cohort, not because physicians stop using the product, but because they revert to using it selectively during high-volume periods. The product is functioning as overflow relief, not workflow replacement. When those customers reach renewal, the expansion conversation stalls because the product hasn't displaced the underlying workflow it was sold to replace. NRR compresses to the 90s on the next renewal cycle. At the multiples this category commands, that is a valuation event, not an operational footnote.

The integration story has a margin problem the growth model hasn't priced in. MedScribe has two regional IDN logos. What the data room doesn't show is that each took 14 months to deploy, required a dedicated implementation resource for the duration, and is still not fully utilized across target departments. *[In a real engagement: deployment timelines and utilization rates from implementation records and customer interviews.]* The sales model prices in a 90-day implementation cycle. At the volume the growth thesis requires, that gap if unaddressed costs roughly 8 to 12 points of gross margin within 18 months of close.

California, Illinois, and Washington are all on the expansion list and have statutes governing ambient clinical audio capture that go beyond standard HIPAA consent flows. Outside counsel has not been asked for an opinion in any of them. The next pilot launch in any of these states is a legal exposure before it's a commercial opportunity.

Fix Before Close

Three things to address before capital is deployed against the IDN sales motion:

Recut the retention cohort analysis to separate overflow users from replacement users and remodel NRR projections against the actual usage pattern. If NRR settles at 92 to 95 rather than 104, the exit multiple compresses by 2 to 3 turns at current category benchmarks. That is a hold period problem that starts at the first renewal cycle.

Build the implementation cost model before deploying growth capital. At 14-month cycle times, adding sales headcount without fixing implementation infrastructure creates a margin hole that

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compounds quarterly. The revenue follows. The margin doesn't recover without a structural change to how deployments are staffed and scoped.

Bring outside counsel in on California, Illinois, and Washington before the next pilot launch. Each state has specific consent requirements for ambient clinical audio that the current patient-initiated QR code flow does not address. A consent failure in a new market is a 12 to 18 month setback, not a legal fee.

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Brief Outline

What This Brief Is

An 8–12 page technical and commercial diligence assessment of an AI-enabled health tech company's readiness to scale, survive regulatory scrutiny, and operate inside enterprise buyer environments. Written for PE investors who have data room access, but need the judgment the data room doesn't provide.

The brief leads with a verdict and connects every material finding to its value creation implication: what each gap costs at exit, not just at close. Supporting evidence follows. Sections are designed for specialist routing without losing the thread back to the investment thesis.

The brief structure reflects 18 years across product, quality engineering, regulatory, privacy, security: critical functions that determine whether an AI healthtech product can actually operate at enterprise scale.

Our Read

One to two paragraphs. The finding the investment team is least likely to have surfaced leads. No table. No headers. A plain-language verdict on what the real risk is, what the consequence is if unaddressed, and what needs to happen before close.

Fix Before Close

Three items. Ranked by urgency. Narrative format, each item includes what the gap is, why it matters to the enterprise buyer, what fixing it requires, whether it's a close condition or a 90-day post-close priority, and what it costs in value creation terms if left unaddressed through the hold period.

This page is designed for IC circulation. Readable without the supporting sections.

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Enterprise Integration Readiness

The section data rooms consistently miss.

What we assess:

- Can this product operate inside a health system or payer environment, not just pitch into one?
- EHR integration maturity: FHIR, HL7, vendor-specific APIs, what is live in production versus what is demo-ready
- Workflow fit: does the product require behavior change, and is there evidence it's happening?
- IT infrastructure requirements versus what a typical enterprise buyer environment actually looks like
- Contracting and procurement readiness: does the company understand how health systems buy, how long it takes, who the real decision-makers are?
- Implementation track record: who runs it, what does the customer have to do, what does failure look like?

Output: Plain-language readiness assessment with specific friction points. No score.

Regulatory Posture

What we assess:

- FDA classification status and accuracy: SaMD risk class, predicate selection, intended use scope and whether the product is correctly positioned as non-device where that applies. International evaluation, as applicable.
- Quality system maturity: QMS, design controls, risk management relative to ISO 14971 for cleared or authorized devices; documented quality practices for non-device AI products operating in regulated environments
- Claims alignment: do marketing claims match cleared or authorized indications, reimbursement coding positions, and enterprise contract representations?
- Reimbursement posture: are there CMS coverage or coding assumptions in the growth model that haven't been validated?
- ONC HTI-1 compliance: increasingly a procurement requirement for products touching EHR workflows, regardless of FDA classification
- State-level AI regulatory exposure: Colorado, Texas, California, and others have or are developing AI-specific requirements that go beyond FDA
- Outstanding enforcement risk: 483s, warning letters, untested assumptions in regulatory strategy

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AI Product Integrity

What we assess:

- Model transparency and explainability relative to the clinical use case
- Training data provenance: consent, representativeness, documented bias exposure
- Validation methodology: clinical evidence versus benchmark performance, and whether the company knows the difference
- Drift monitoring and retraining protocols
- Output handling and audit logging: how AI recommendations are surfaced, logged, and what is retrievable post-signing
- Human-in-the-loop design: where it exists, where it's absent, where it's required by regulation, accreditation standard, or enterprise contract

Output: Two to four material findings mapped to applicable regulatory and contractual AI obligations across FDA, ONC, payer requirements, and emerging state-level AI transparency standards depending on the company's footprint.

Privacy and Security Architecture

What we assess:

- HIPAA compliance posture: BAAs, minimum necessary, breach response maturity
- Data architecture: where PHI lives, how it moves, what's de-identified and how
- Security controls: access management, encryption at rest and in transit, vendor risk program
- State law exposure: applicable consumer health data laws given the company's data practices and geographic footprint
- Incident history and disclosure posture

Output: Material gaps only. Deal-relevant risk summary, not a full audit.

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Unit Economics Implications of Technical Decisions

What we assess:

- Compute and inference cost trajectory as volume scales
- Memory and caching design decisions that will compress or destroy gross margin
- Technical debt that will require re-platforming at the next funding stage
- Dependency concentration: single model provider, single cloud, key-person engineering risk

Output: Two to three specific architectural decisions with assessment of economic impact at scale.

Team Execution Risk

Specific to regulated AI execution and PE-stage operational maturity. The question is not whether the team built the product, it's whether they can operate the business at the scale the investment thesis requires.

What we assess:

- Regulated AI execution experience: has anyone on the team shipped a regulated AI product from development through enterprise deployment — not advised on one, shipped one
- Regulatory function maturity: is there documented regulatory ownership or is strategy founder-managed and undocumented
- Regulatory strategy execution: can the team navigate their specific pathway without outside counsel holding the work
- Commercial team maturity: is the sales motion founder-led or does a repeatable enterprise sales function exist independent of the founder
- Implementation scalability: is the implementation methodology documented and transferable, or does it live in a few people's heads
- Technical key-person risk: who owns the model and core architecture, and what happens to the roadmap if that person leaves
- Founder dependency: what does the business look like if the founder steps back post-close, and has that transition been tested in any form
- Finance and operational infrastructure: is the company PE-ready, or does that need to be built post-close and at what cost

Output: Three to five specific execution risks ranked by impact on the value creation plan, with recommended mitigation and hiring implications.

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What's Working

This page is for the operating team, not the IC. It documents what the company has done well that the data room underrepresents — architectural decisions that will age well, commercial relationships that signal enterprise readiness, regulatory choices that show sophistication. Its job is to tell the post-close team what to protect, not what to celebrate.

Methodology and Scope

- What we reviewed: documents, interviews, product walkthrough, regulatory filing review
 - What we did not assess: full code audit, financial model, clinical trial design
 - Engagement dates and point of contact
 - What would change this assessment: an undisclosed security incident, a key engineering departure in the model development team, or evidence that the physician sign-off workflow has been formally modified since the pilot period would each materially change the AI product integrity findings
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Format and Delivery

- 8–12 page PDF depending on company complexity and deal stage
- Our read designed for IC circulation
- Detailed breakdown designed for specialist routing
- Turnaround scoped to deal timeline at kickoff