

OPINION PIECE

03

REVENUE HAS ITS OWN INFLATION PROBLEM

Hype, recycled venture money and unaudited ARR means AI revenue is weaker than it looks.

By **Victor Lang**

The views expressed are the author's own and do not necessarily represent those of Verified Metrics.

Revenue has its own inflation problem

Much of the revenue driving current AI valuations is unsustainable long-term, but many valuation marks treat them as long-term. Revenue only supports a valuation if customers want the product, can afford it, and will keep paying. As such, a lot of today's AI revenue is weaker than it looks.

Some of it is hype

Tech CEOs now talk openly about 'vibe revenue': Picsart's CEO told CNBC that some AI startups are valued on "just some noise and vibe revenue." These are sales driven by hype rather than need, and they fade: users stop coming back after a few months and leave as soon as a better competitor appears.

Some of it is investors' money passing through

Many AI companies sell mainly to other startups, which pay with money they have just raised from venture capital investors. Chamath Palihapitiya estimates that 70 to 75 cents of every dollar spent on AI comes from unprofitable, venture-backed companies. If their funding slows, so does the revenue, even without a single customer switching to a rival.

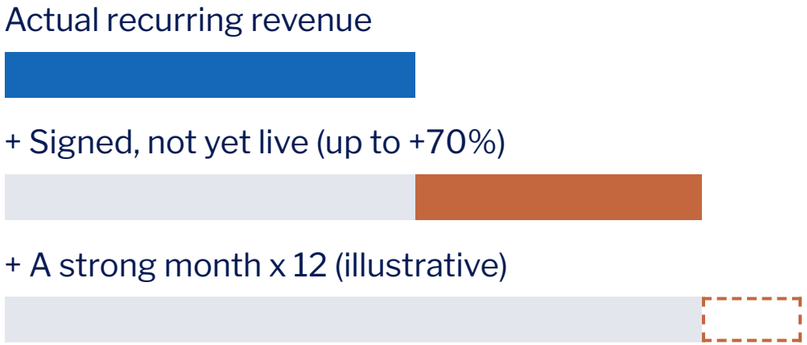
70-75 cents

of every AI dollar, estimated to come from venture-backed companies

And some of it is in the counting

No one audits headline ARR, so signed contracts get counted as recurring revenue, sometimes running 70% above the real figure, and a single strong month gets annualized.

How the number grows



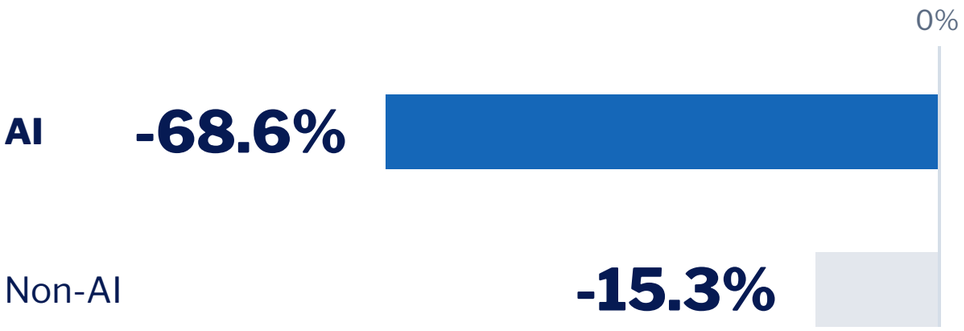
Revenue build: solid steps as reported by TechCrunch; the dashed step is illustrative. Sources: CNBC (Nov 14, 2025); Palihapitiya on X (Oct 21, 2026); TechCrunch (May 22, 2026); Seoul Economic Daily (Sep 2026). See sources

Value the revenue that will still be there next year

Public markets have started to discount all of this, at least for AI applications: the four AI-native companies in our listed comp set grew revenue a median 46.8% over the past year, yet their median multiple fell 68.6%, to 9.76x. Private rounds have yet to catch up: the median AI step-up is still 2.2x, against 1.5x for non-AI companies. We think funds should only value the revenue that will still be there next year, not the revenue booked this year. Ken Griffin may be right that AI's winners will lead markets "for decades to come," but most AI companies will not be those winners, and their revenue should not be priced as if they were.

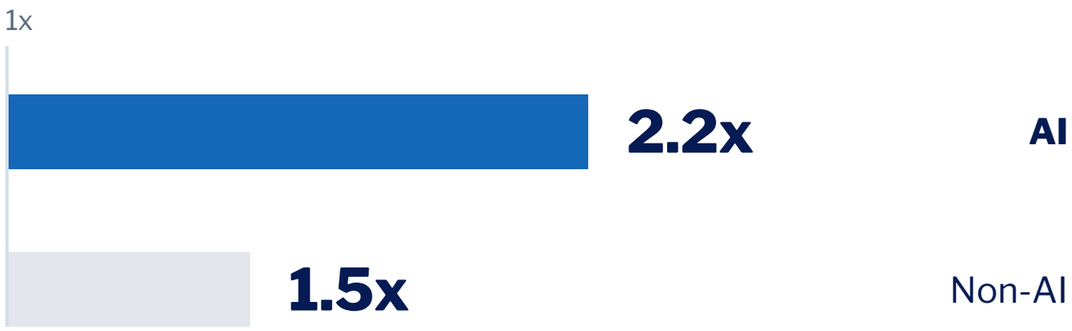
Public multiples fell

Change in median multiple, past year



Private valuations stepped up

Median step-up at the next funding round



Sources: Verified Insights Q3 2026 data pack, tabs A8 and A9 (listed comp set, median EV / LTM revenue, Sep 30, 2026 vs Sep 30, 2025; non-AI = the 72 EV / revenue comp names outside the AI-native and AI infrastructure sets, 4.80x to 4.06x; lending names, valued on market cap / revenue, excluded); PitchBook-NVCA Venture Monitor (Q3 2026); 24/7 Wall St (Oct 21, 2026). See sources

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Sources retrieved October to November 2026. Continued

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