

The Real Measure of AI



AI has quickly moved from boardroom buzzword to business reality. Companies are spending heavily on the technology, but investors are now looking beyond the excitement to ask a sharper question: is AI improving the numbers? The answer is beginning to show up in capital expenditure, operating costs, revenue growth, and margins.

When AI Starts to Show Up in the Numbers

Artificial intelligence is now everywhere. It is shaping business strategy, dominating headlines, and quietly changing how companies operate behind the scenes. Some people see it as a powerful opportunity. Others are concerned about what it means for jobs, costs, and how work will be done. As investors, though, there is a very practical question that we need to ask: what is AI doing to company performance? This is where the conversation becomes more grounded, because AI is no longer

just a future concept. It is starting to show up in the numbers.

For several years, AI lived mostly in the realm of promise. Companies spoke about transformation, disruption, and long-term upside. Investors were told to “be patient.” Now the tone is shifting. It is no longer enough for a management team to say, “We are investing in AI.” The follow-up questions are sharper: Is it lifting revenue? Is it improving margins? Is it lowering operating costs? In other words, AI is moving from story to financial reality. And like most meaningful business shifts, it does not appear in a straight line. It

often follows what investors sometimes call a J-curve: performance dips or flattens at first as spending rises, then improves later as the benefits begin to show. In the early phase, earnings may look worse, even though the foundations for future gains are being laid.

One of the clearest ways AI shows up is on the cost side. Building AI capabilities is capital-intensive. Companies need to invest in data centres, cloud infrastructure, advanced chips and servers, software platforms, and highly skilled teams. Microsoft is a useful example here. In its 2025 financial year, the company’s capital

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expenditure rose to \$24.2 billion. Operating margins fell shy of projections. This is the “downward” part of the J-curve in action: high upfront investment, some pressure on profitability, and a time lag before those investments fully translate into returns.

At the same time, AI is already helping large companies become more efficient, often in ways that accumulate quietly over time. Amazon is a good case to consider. The company has spent years weaving AI into its logistics and supply chain, from demand forecasting to route planning and warehouse automation. Analyses of Amazon’s use of AI in logistics suggest that AI-driven forecasting has made regional demand forecasts roughly 20% more accurate, last-mile delivery routes up to 29% more efficient, and packages processed per employee dramatically higher than a decade ago. Other observers estimate that, taken together, these tools have helped Amazon cut operational costs in its supply chain by around 20%, saving billions of dollars while still improving delivery speed and customer satisfaction. For a business of Amazon’s scale, even a 10–20% improvement in logistics costs is a major shift in how efficiently each dollar of cost is being used.

AI is also beginning to show up on the revenue line. Microsoft provides a clear example again, but this time from a different angle. Beyond using AI internally, the company has started to turn AI into something it can sell. A key part of that is Azure, which is Microsoft’s cloud computing platform, the set of data centres and services that allow other companies to run their software, store data, and

increasingly build and deploy their own AI models. In its 2025 annual report, Microsoft highlighted that Azure and other cloud services surpassed \$75 Billion dollars in revenue, growing about 34% year-on-year, helped in part by demand for AI workloads running on its cloud. On top of that infrastructure, Microsoft has introduced Copilot, an AI assistant embedded into tools like Word, Excel, and other Microsoft 365 applications. Companies pay an additional monthly fee per user for Copilot, creating an entirely new, higher-value layer of revenue on top of products that already existed. Together, these developments show the “upward” part of the J-curve: the same AI investments that initially appeared as heavy costs are now contributing to faster growth in high-margin, recurring revenue streams.

There is also a more direct, and in some ways simpler, version of the AI story: using AI to cut costs quickly and visibly. Klarna, the Swedish fintech company, offers a good example. In late 2023, Klarna began using an AI assistant to handle a large share of its customer service chats. Within its first month, the AI system handled about 2.3 million conversations, taking on roughly two-thirds of all customer service interactions. According to Klarna, the AI assistant is doing the work equivalent to around 700 full-time human agents, while maintaining similar customer satisfaction scores and even reducing repeat inquiries by around 25% because issues are resolved more accurately on the first try. One detailed report on its 2025 fourth quarter revealed that revenue per employee increased 3.6 times to \$1.24 million since Q4 2022, with a

49% reduced headcount, while operating expenses declined by 8%. For a company still focused on sharpening profitability, that level of savings, paired with faster response times, is significant. In this case, AI is not primarily about creating a brand-new revenue stream. It is about taking an existing cost base and making it meaningfully lighter.

As these kinds of examples accumulate, markets are starting to respond in a more selective way. There was a period when simply mentioning AI on an earnings call could generate excitement and support the share price. That period is fading. Investors are now paying more attention to the details. They are asking: Can the company show a clear link between AI spending and improved performance? Are there measurable gains in productivity, margins, or revenue growth? In Microsoft’s case, for example, investors have seen both sides of the equation: a sharp step-up in capital expenditure to support AI and, at the same time, strong double-digit growth in cloud revenue and operating income. Companies that can demonstrate this kind of trajectory, where the J-curve is starting to bend upward, are being rewarded. Those that are still mostly in the “promise” phase, with rising costs but limited evidence of payback, are attracting tougher questions.

The broader lesson for investors is that AI does not show up in a single, uniform way. For some companies, it appears first as higher capital expenditure and operating costs. For others, it shows up in gradual efficiency gains that compound over time. In a growing number of cases, it is emerging as a direct source of new revenue. Often, all three are happening

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at once, just on different timelines. This is why the J-curve is a helpful mental model: there is usually a period where the numbers look worse before they look better. The key is to pay attention to whether the pieces are in place for that upward turn: evidence of cost savings, signs of better productivity, and credible paths

to monetising AI through new or enhanced products and services.

AI is moving from buzzword to balance sheet. It is showing up in capital expenditure lines, in operating cost trends, in revenue growth, and, gradually, in margins. The question for investors is no longer simply,

“Who is investing in AI?” It is, “Who is converting those investments into results?” Markets ultimately reward performance, not potential. As AI continues to evolve, the companies that stand out will be those where the impact is not just talked about, but visible in the numbers.

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