Special Report

Technology & ESG Reshaping Revenue Pools

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How innovation and sustainability are driving value migration across industries

Digital & Automation

Sustainability/ESG

NEW VALUE POOLS
(Tech-Enabled +
Sustainable)

Traditional industry revenue pools are under pressure as two major forces – digital technology and ESG imperatives – are redefining how value is created, captured and distributed.

Technology and ESG Converging

Technology Side

Rapid adoption of cloud, AI, IoT, automation is shifting revenues from legacy physical-asset businesses into digital platforms, services and data-driven ecosystems.

ESG Side

Environmental regulation, investor pressure, consumer expectations and corporate net-zero targets are forcing companies to transform business models, creating new revenue streams and reducing the viability of outdated ones.

The Convergence

The convergence of technology + ESG is creating entirely new revenue pools (for example: digital carbon-tracking services, smart grids, mobility-as-a-service) and re-allocating capital and profit away from legacy incumbents to agile, “tech-enabled sustainable” players.

The Implication

For investors and corporates alike, understanding how these shifts reshape where and how much revenue will be generated is critical – legacy assumptions about market size, growth trajectories and business models must be revisited.

Technology + ESG are no longer parallel trends - they are converging to form the fastest-growing revenue pools of the next decade

Source: *Deloitte, Broadridge, Mordor Intelligence*

Why global revenue pools are shifting now

Three Structural Forces Driving the Shift

Technological Acceleration

- AI, cloud, automation and data ecosystems are displacing labor-intensive, analogue models.
- Digital-first companies are capturing a disproportionate share of profit pool growth (e.g., platform models, SaaS, Industry 4.0).

ESG & Regulatory Pressure

- Carbon pricing, disclosure norms (CSRD, SEC Climate Rule), and net-zero mandates push businesses toward sustainable models.
- 90% of global GDP is now covered by net-zero or emissions-reduction commitments.

Capital Reallocation

- Investors are shifting funds toward high-tech, high-ESG assets (renewables, efficiency tech, circular economy).
- Firms with strong ESG performance enjoy lower capital cost and higher long-term valuation multiples.

Resulting In: Revenue Pools Migrating

Value Moving Away From

Legacy fossil-centric industries, low-tech manufacturing, and resource-inefficient operations.

Value Moving Toward

Tech-enabled services, clean energy, data-driven platforms, climate-tech, digital infrastructure.

Combining Technology & ESG

Companies combining technology + ESG are outperforming purely traditional models on growth, profitability, and capital access.

Source: *McKinsey, IEA, PwC*

Where New Revenue Pools Are Emerging From

Energy & Utilities

- Renewables, storage, hydrogen, smart grids
- Clean energy investment: **$1.8 Tn (2024),** expected to exceed **$3 Tn by 2030**

Mobility & Automotive

- EVs, charging infra, battery recycling, mobility-as-a-service
- EV ecosystem revenue: **$600 Bn by 2030**

Industrials & Manufacturing

- Industry 4.0, predictive maintenance, digital twins
- Smart manufacturing value creation: **$3.7 Tn by 2027**

Financial Services

- Green finance, carbon trading, ESG analytics
- Sustainable debt market: **$4.3 Tn outstanding**

Built Environment

- Green buildings, smart HVAC, energy efficiency tech
- Green buildings could cut operating costs by **20–30%**

Source: *McKinsey, IDC, World Economic Forum*

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Strategic Implications of Revenue Pool Shifts

For Corporates

Portfolio & Business Model Reset

- Actively exit or de-emphasize shrinking revenue pools (carbon-intensive, low-tech, commoditized segments).
- Accelerate the shift toward asset-light, service-led and platform-based models.
- Build optionality through adjacent tech-enabled ESG offerings rather than pure core expansion.

Technology as a Revenue Lever

- Monetize data, analytics, and digital platforms as standalone revenue streams.
- Embed AI and automation across operations to unlock margin expansion of 200–500 bps.
- Prioritize scalable digital infrastructure (cloud, cybersecurity, data governance).

For Investors

Capital Rotation Strategy

- Shift capital toward tech-enabled, ESG-aligned growth platforms rather than cyclical incumbents.
- Underwrite deals based on future value pools, not historical EBITDA.
- Identify “transition winners” incumbents successfully pivoting.

Valuation & Due Diligence Lens

- ESG quality increasingly influencing exit multiples and downside protection.
- Incorporate climate transition risk and digital readiness into valuation models.
- Penalize assets with high stranded-asset or regulatory exposure.

The biggest winners will be those who reallocate capital early, before revenue pools fully migrate.

Why execution, capital discipline, and timing matter

	What changes	Impact	Implication
Execution & Margin Risk	▪ New tech-enabled and ESG revenue streams often scale slower than expected. ▪ Legacy businesses may decline faster, creating a transition gap.	▪ Margin dilution during the transition phase. ▪ Weaker operating leverage as fixed costs remain high. ▪ Short-term earnings volatility despite long-term growth potential.	Revenue growth does not automatically translate into profit growth.
Capital Intensity & ROIC Risk	▪ ESG transitions require sustained capex (renewables, decarbonization, digital infra). ▪ Returns materialize over a longer time horizon.	▪ Lower free-cash-flow conversion in the medium term. ▪ ROIC compression if reinvestment outpaces cash generation. ▪ Pressure on valuation frameworks based on historical capital efficiency.	Value creation depends on disciplined capital allocation, not just ESG ambition.
Valuation & Timing Risk	▪ Current market multiples often price in transition success upfront. ▪ Any delay in execution or cash-flow generation increases downside risk.	▪ Sharp multiple de-rating if delivery falls short of expectations. ▪ Higher volatility for transition-heavy sectors and stocks. ▪ Increased sensitivity to interest rates and funding conditions.	Timing mismatches between investment and payoff can destroy shareholder value.

Source: *McKinsey, BCG, Deloitte*

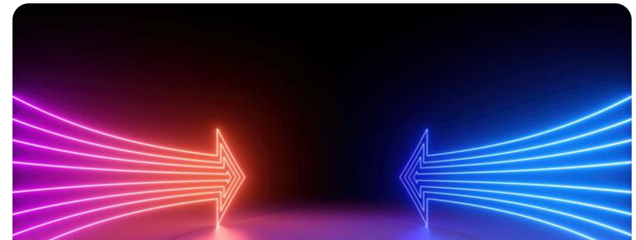
Outlook: Technology & ESG Will Define the Next Profit Cycle

Macro Outlook (2025–2035)

- Global growth increasingly driven by **intangible, digital, and sustainable assets** rather than physical scale.
- Over **50% of incremental global profit growth** expected from tech-enabled and ESG-aligned business models (McKinsey).
- Regulation, capital markets, and consumer behavior will **lock in sustainability-led value creation**, making reversal unlikely.

Revenue Pool Evolution

- Products >> **Services, platforms & ecosystems**
- One-time sales >> **Recurring, subscription, and usage-based revenues**
- Carbon-intensive assets >> **Low-carbon, efficient, resilient infrastructure**
- Compliance-led ESG >> **Monetized sustainability offerings**
- **Implication:** Companies unable to transition will face **structural margin and valuation compression.**



Convergence Will Accelerate

- AI will become the **operating layer** for sustainability (carbon tracking, optimization, reporting).
- Climate-Tech + digital infrastructure will attract **disproportionate capital inflows.**
- ESG data, MRV systems, and compliance platforms will evolve into **standalone profit centers.**
- “The next wave of growth will come from digitizing sustainability itself.”

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