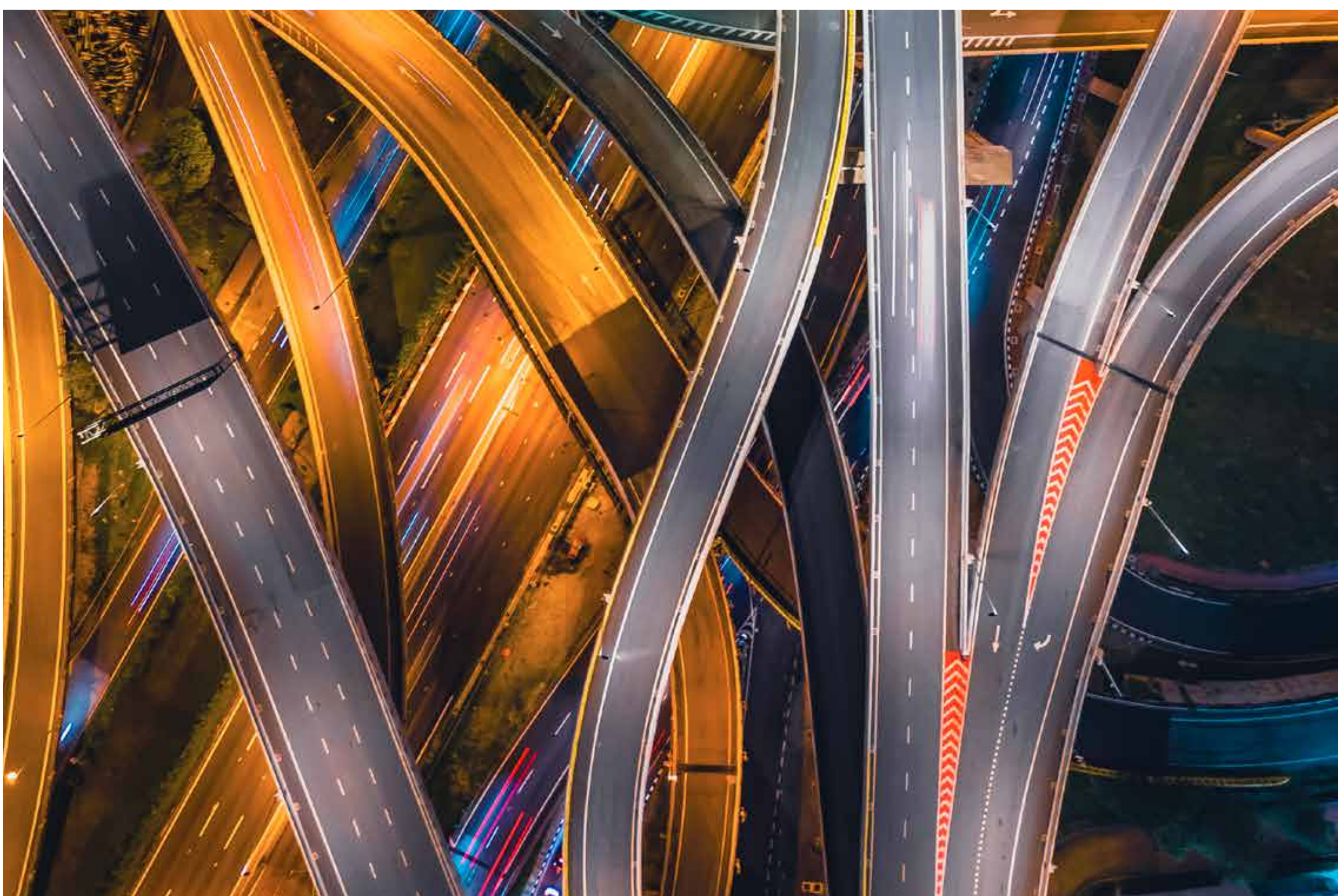
New Directions: AI Ubiquity, Risk Exposure, and Pursuing Scale in Global Tech M&A



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into the future of technology-related M&A. Respondents were equally distributed among corporates with a minimum of $250 million in annual revenue and private equity firms with a minimum of $500 million in assets under management. 30% of respondents were based in North America, 30% in Europe, 30% in Asia-Pacific (APAC), and 10% in Latin America. All responses are anonymous, and results are presented in aggregate.

Executive Summary

After a prolonged period of subdued activity, signs of a tech M&A revival are taking shape. Deal volumes are lagging, but aggregate value has risen sharply, led by a resurgence of large-scale transactions. Dealmakers are growing more confident, albeit unevenly across regions and investor types. Private equity (PE) firms are showing particularly strong engagement in the market.

This latest edition of our global tech M&A survey explores how buyers are positioning themselves. The report examines expectations for deal flow, deal structuring strategies, points of sector focus, and the impact of unfolding regulations.

Several clear themes emerge. First, acquirers intend to turn their attention to smaller, up-and-coming targets. Startups in the artificial intelligence (AI) space will be earmarked for M&A. Second, dealmakers expect to employ minority investments, earnouts, and joint ventures more frequently. Third, respondents no longer see regulation purely as a threat: in the case of AI, stricter oversight may even encourage M&A, providing clarity amid the hype.

Finally, while the United States remains the single largest tech M&A market, dealmakers increasingly see Europe and Asia as regions of opportunity. High-growth and emerging technology hubs such as Israel are attracting considerable international attention.

As disruption ripples throughout industries and competition for a finite pool of high-quality assets intensifies, tech M&A is becoming more selective, but no less strategic. Acquirers know that they must move decisively and focus their efforts where they see long-term advantage. Failure to do so could mean being left on the sidelines as the future of technology is written without them.

Key Findings

Deal Value Soars

According to Mergermarket, the aggregate value of all deals announced globally in the computer software, hardware, and semiconductors subsectors through the first three quarters of 2025 reached $845.9 billion, up 72.2% year-over-year. Deal volume, however, continues to trend down—acquirers announced 6,551 transactions in these subsectors in Q1-Q3 around the world, down 9.3% from the same period in 2024.

Startup Season

Respondents continue to indicate a marked preference for targeting young companies (those operating for between two and five years) in M&A. This year, startups are clearly in the lead, garnering 50% of first-choice votes. Dealmakers are looking to capitalize on the high-growth opportunities of industry disruptors in subsectors such as AI and cybersecurity.

Return to Form

More than half of survey respondents (57%) expect tech M&A deal volumes to increase over the next 12 months. Nearly two-thirds (64%) expect the average value of tech M&A transactions to rise over the same time period.

Limiting Risk

PE dealmakers expect to be increasingly likely to employ minority investments (97%) and contingent consideration/earnouts (84%) in their tech M&A strategies over the coming 12 months. Their corporate peers intend to focus much more on joint ventures (84%) as they continue to pursue growth while limiting their risk exposure.

"As macroeconomic and geopolitical cycles accelerate in 2025, competition for high-quality assets is intensifying worldwide. In tech M&A, dealmakers are becoming increasingly selective, focusing on strategic investments that can deliver long-term competitive advantage. With AI and digital infrastructure shaping the future of the industry, investors are prioritizing opportunities that position them at the forefront of innovation."

Erik Knudsen, Co-Chair of the Global M&A Practice, Morrison Foerster

Europe at the Forefront

Respondents expect Europe to offer the best opportunities for tech M&A over the next 12 months, with the region garnering 30% of first-rank votes, the largest such share. In previous surveys, respondents routinely identified North America as their preferred location target for investment—this year, it falls to third overall (51%), trailing Europe as well as Asia (excluding China and Japan) (56%).

Seeking Clarity

Respondents believe the greatest obstacle to the continued growth and uptake of AI technologies will be increasingly strict regulation (40% of top two votes) and a lack of transparency in the industry (38%).

AI Unstoppable

Respondents believe the AI space presents the best opportunities for dealmaking over the next 12 months—70% of respondents identify it as a top-three subsector, superseding cybersecurity (54%), which had claimed the top spot in the two most recent editions of this survey.

Leveraging AI

The sectors that our respondents believe are currently best leveraging the power of AI are, unsurprisingly, technology (68% of top-three votes) and business services (61%). Looking ahead, the industries that survey participants believe hold the most potential for deeper AI integration are the consumer (44%) and pharma, medical & biotech sectors (also 44%).

SECTION 1:

Market Overview

A maturing pool of AI-driven and AI-adjacent assets has buttressed the global tech M&A market, with dealmakers in all regions moving to capitalize on this era of innovation.

Global technology M&A appears to be turning a corner. The first three quarters of 2025 saw a marked divergence between declining deal volume and soaring deal value. This underscores a growing conviction among acquirers that now is the time to pursue scale, secure strategic capabilities, and double down on the technologies set to define this new era of innovation.

According to Mergermarket, dealmakers announced 6,748 transactions globally across the computer software, hardware, and semiconductors subsectors between Q1 and Q3 2025, a 6.6% decline in volume compared to the same period in 2024. But what the market lost in breadth, it more than made up for in size. Aggregate deal value rose by 60.2% for the same period, to $787.1 billion.

AI Ambitions

This value-led resurgence reflects the strength of buyer conviction, as well as the maturation of AI. The technology is now a board-level imperative, and buyers are positioning themselves accordingly. The need for infrastructure to support this revolution, from advanced chips to data centers and cloud platforms, has triggered a wave of strategic transactions.

Chere See, M&A Partner at Morrison Foerster and Co-Lead of the firm's AI M&A Initiative, said: "AI has firmly established itself as a leading driver of dealmaking. Investors are eager to capitalize on its transformative potential across sectors—from technology and business services to consumer and life sciences."

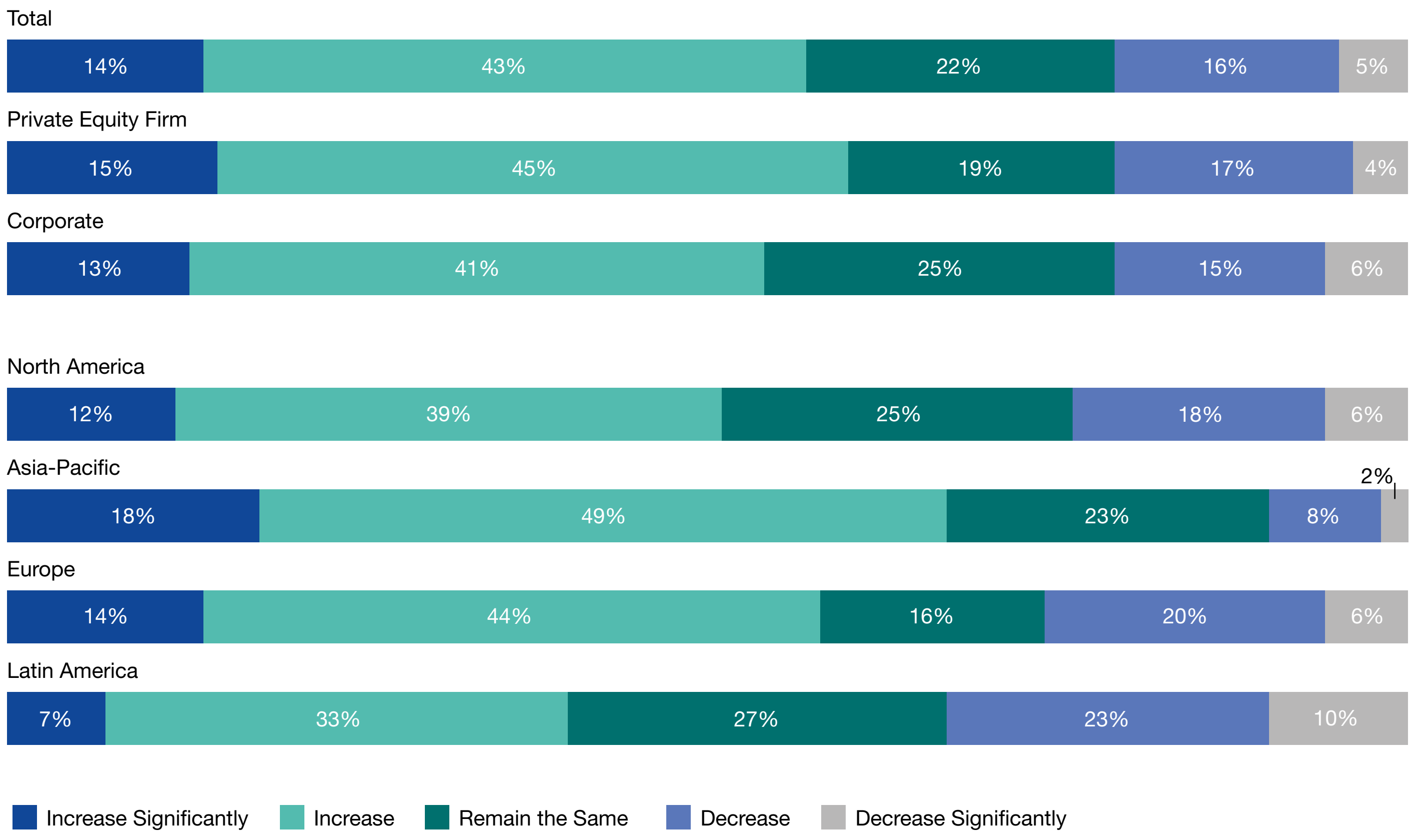
The United States continues to anchor global tech M&A, accounting for close to a third of all deals (2,278) and approximately two-thirds of the global deal value total ($529 billion) between Q1 and Q3 2025. Several jumbo deals undergirded these figures: acquirers announced 13 tech deals globally valued at more than $10 billion between Q1 and Q3, up from just four such transactions during the same period in 2024.

Beyond the United States, Japan was the next most active market by volume, recording 748 deals worth $22 billion. China, however, was the second-largest market in aggregate value terms, totaling $40.8 billion across 425 transactions. These figures demonstrate steady regional engagement at a time when both markets are becoming more open.

Market watchers interpreted Chinese President Xi Jinping's meeting in February 2025 with top tech executives as a course correction and a sign of increased tolerance toward private enterprise in technology. In May 2025, the China Securities Regulatory Commission announced a policy pivot, with plans to support overseas listings of high-quality technology firms.

Also in APAC, Singapore's credentials as a stable hub for technology startups has been a boon for M&A.

How Do You Expect Aggregate Tech M&A Deal Volumes to Change Over the Next 12 Months Compared to the Last 12 Months? (Select One)



Technology dealmaking in the city-state has remained consistently positive. Between Q1 and Q3 2025, the total value of deals targeting computer software, hardware, and semiconductor assets in Singapore stood at $4.2 billion, a 20% increase on the same period in 2024. As a partner of a local PE firm puts it: "Strategic growth capital opportunities are available in the domestic market. When it comes to technology developments, companies have shown that they are ready to embrace progress."

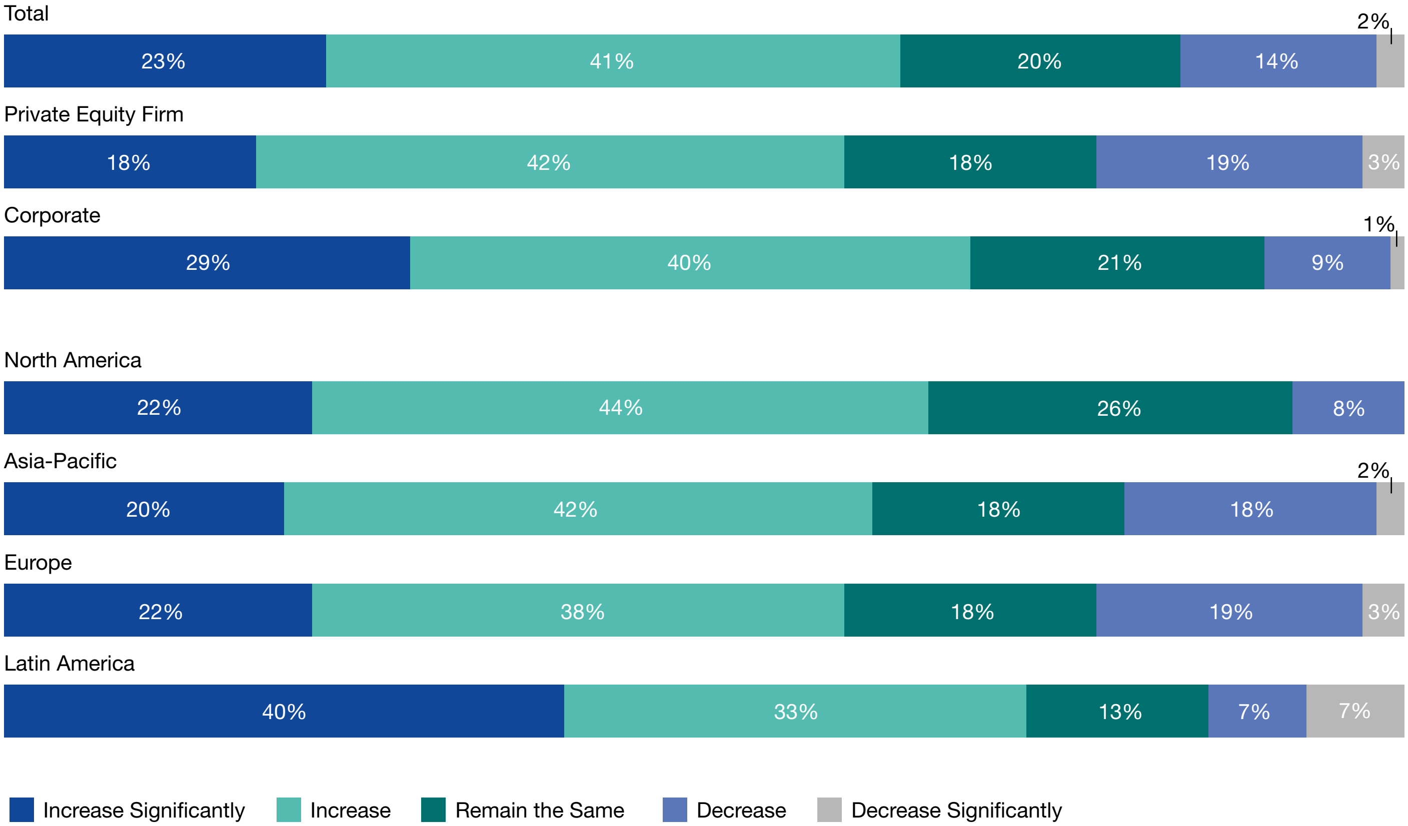
In Europe, the UK continues to generate high-value technology transactions, with $24.6 billion worth of deals announced between Q1 and Q3 across the key computer software, hardware, and semiconductor subsectors. After the UK, the region's next busiest markets all hailed from the north of Europe, including Sweden ($11.9 billion), the Netherlands ($11.2 billion), and Germany ($10.5 billion).

Confidence Rising

While global deal volume has waned since 2021, Q1-Q3 2025 marked a turning point for deal value; an encouraging sign of market momentum. Looking ahead, 57% of survey respondents expect aggregate tech M&A volumes to increase over the next 12 months. This is slightly above last year's 54%, suggesting that sentiment may be warming even if deal flow is yet to rebound.

APAC respondents are especially bullish: 67% forecast an uptick in volume, with nearly one in five (18%) expecting a significant increase. With multiples in Asian markets still playing catch-up with the United States, APAC dealmakers appear eager to capitalize on relative value.

How Do You Expect Average Tech M&A Deal Values to Change Over the Next 12 Months Compared to the Last 12 Months? (Select One)



Xiaoxi Lin, M&A Partner in Morrison Foerster's Hong Kong office, said: "Asia's fast-growing technology hubs, coupled with rapid AI adoption across industries, are drawing strong interest from both regional and global dealmakers. As multiple Asian markets develop their own AI models, investors see significant opportunities to make strategic investments in the region."

Expectations for rising deal values are widespread. This year, 64% of respondents anticipate an increase in average deal value over the next 12 months, down marginally from 71% in our previous survey. Nonetheless, that still represents a strong consensus in favor of further target value expansion in the context of buoyant equity markets and looser monetary policy on the horizon.

> Asia's fast-growing technology hubs, coupled with rapid AI adoption across industries, are drawing strong interest from both regional and global dealmakers."
>
> **Xiaoxi Lin, M&A Partner in Morrison Foerster's Hong Kong office**

Nowhere is optimism stronger than in Latin America, with 40% predicting a significant rise in deal values. This sentiment reflects both pent-up demand and an increasingly sophisticated regional startup ecosystem, particularly in AI-driven fintech and digital services. In Q2 2025, for example, Mexico recorded its highest value of venture investment in more than two decades. This was driven primarily by a $170 million Series C round for fintech startup Klar, the country's largest digital bank, according to Crunchbase reporting.

PE Powers On

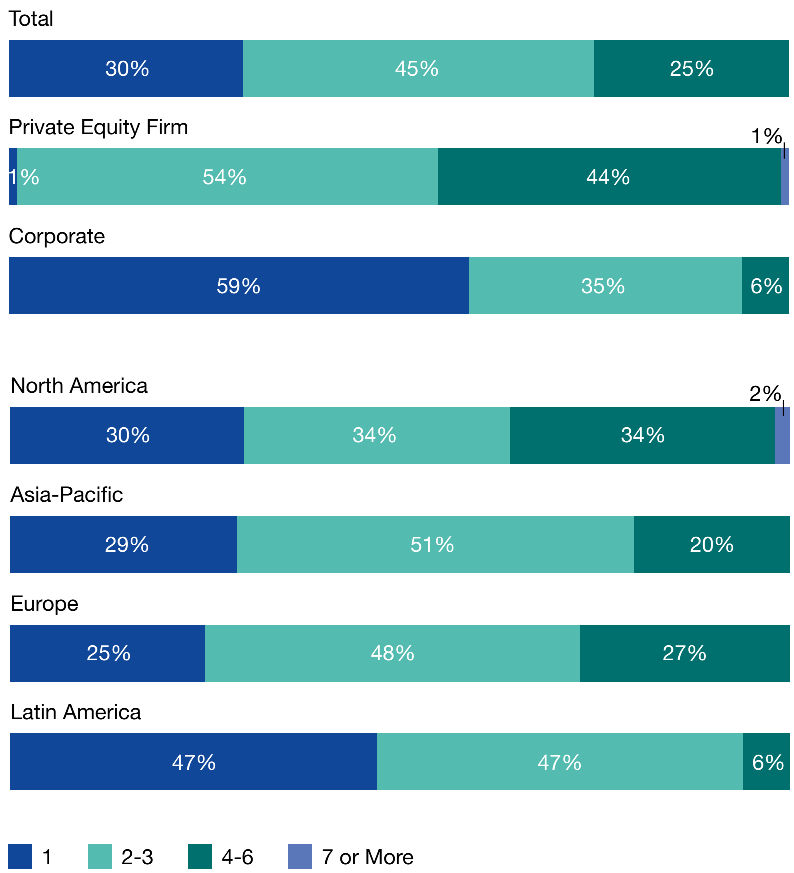
Looking back over the past 12 months, North American dealmakers were the most active, with 36% reporting that they completed four or more tech M&A transactions. European respondents are not far behind: 27% say they completed four to six deals over the same period, showing resilience despite a sluggish macroeconomic backdrop and more restrictive regulation. This now includes the European Union's landmark Artificial Intelligence Act—the first comprehensive, risk-based AI law, which imposes transparency, safety, and documentation obligations on providers and deployers of AI systems across sectors.

A closer look at the buyer mix shows an especially sharp uptick in PE activity. Compared to last year's survey, when just over half of PE respondents (53%) had completed two or more tech deals in the prior 12 months, this year's figure soared to an unequivocal 99%. This rise is supported by easing interest rates and an ample supply of buyout dry powder, estimated by Bain & Company at $1.2 trillion.

Corporate acquirers, as might be expected, are moving more selectively. Their activity remained mostly flat year-over-year, with 59% reporting no deals whatsoever over the last 12 months. Just over a third (35%) say they struck just one tech transaction, as they focused on conviction acquisitions with the highest synergy potential.

"Despite unpredictable markets, there has been an uptick in PE tech activity this year," said Patrick Huard, Global Co-Chair of the firm's Private Equity Practice. "We are seeing clients re-evaluate risk and seizing opportunities present in new technologies like AI and the infrastructure supporting it. Creative structuring continues to drive dealmaking as investors work through disruptions to propel M&A transactions through the end of the year."

How Many Tech M&A Deals Did Your Organization Complete Over the Last 12 Months? (Select One)



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Patrick Huard, Global Co-Chair of Morrison Foerster's Private Equity Practice

SPOTLIGHT:

Cross-Border M&A

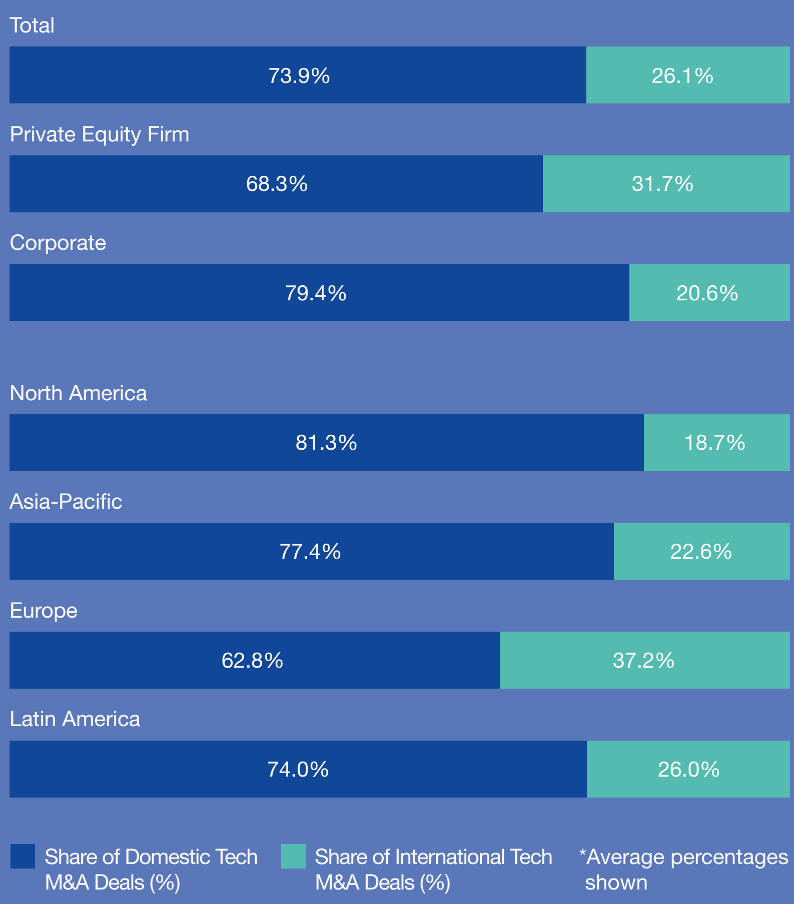
Corporates, especially in the United States, will focus on deals in their domestic markets as geopolitical risk and tariff frictions inhibit opportunities for international M&A.

Cross-border M&A remains a crucial but divisive strategy in global technology dealmaking. For some, international expansion offers exposure to emerging innovation hubs, niche subsector capabilities, and potential valuation arbitrage. But for others, particularly corporates and North American dealmakers, heightened geopolitical risk and shifting trade dynamics are pushing activity back toward domestic markets.

This divide is evident as enthusiasm among PE for international tech M&A has surged: 69% expect at least 20% of their deals to be cross-border in nature, a notable increase from the 43% who said the same a year ago. For many sponsors, global deal sourcing offers a wider entry point to innovation and can hedge against local regulatory constraints or macroeconomic frailty.

“The share of international tech M&A will be slightly higher,” says a partner of a UK PE firm. “There are opportunities in emerging markets, which we cannot find in our domestic market. We do not want to miss these opportunities by being too conservative.”

Approximately What Proportion of Your Expected Tech M&A Activity Will Be Domestic (i.e., Occurring in Your Home Market) Versus International? (Please Give Two Percentage Figures, One for Expected Domestic Activity and Another for Cross-Border Activity)*



*Average percentages shown

Domestic Focus

Corporate acquirers appear to be retreating from international expansion. Just 35% of corporate respondents expect to engage in global tech M&A over the next 12 months, down sharply from 52% in last year's survey. This inward shift likely reflects a blend of risk aversion, tariff-related friction, and a recalibration of focus toward domestic growth opportunities, particularly in AI and adjacent technologies.

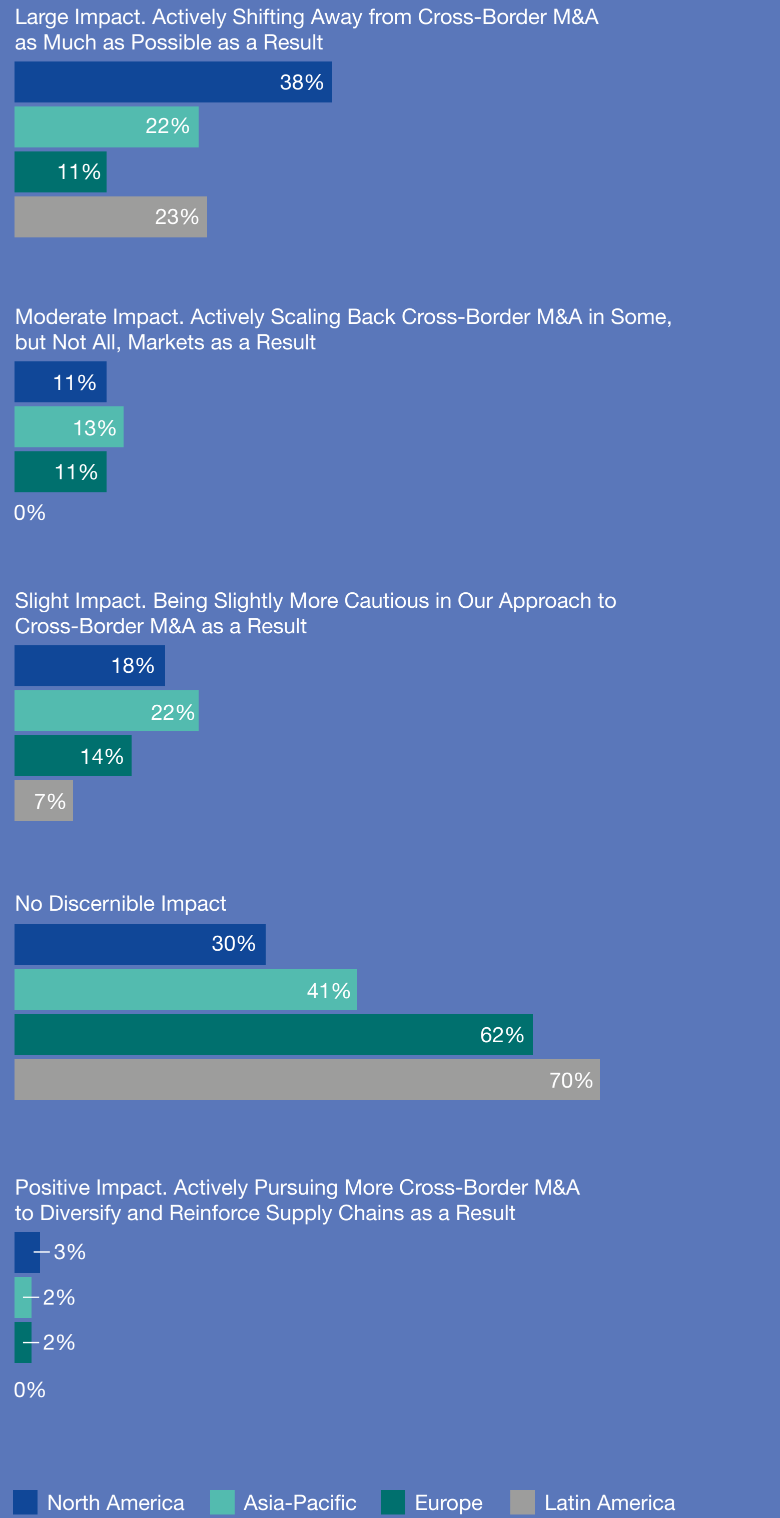
Nowhere is this homeward turn more pronounced than in North America. In last year's study, a quarter of North American respondents said they expected most of their tech M&A activity to be international. This year, that figure has halved to just 13%.

"Emerging tech hubs offer good choice for dealmaking, but there is a pipeline of high-quality opportunities in the domestic market. Sourcing is much easier," says a U.S.-based corporate strategy director.

Several factors are driving the change. One is clear discomfort with the current trade climate: 38% of North American respondents say they are actively shifting away from cross-border tech M&A as much as possible. Another 29% report scaling it back or approaching it more cautiously. Tariff policy, evolving foreign direct investment (FDI) regimes, and geopolitical tensions appear to be quelling cross-border appetite.

> Emerging tech hubs offer good choice for dealmaking, but there is a pipeline of high-quality opportunities in the domestic market. Sourcing is much easier."
>
> **U.S.-based corporate strategy director**

Which of the Following Best Describes How Recent Tariff-Related Developments and Elevated Trade Tensions Are Impacting Your Organization's Approach to Cross-Border Tech M&A? (Select One)

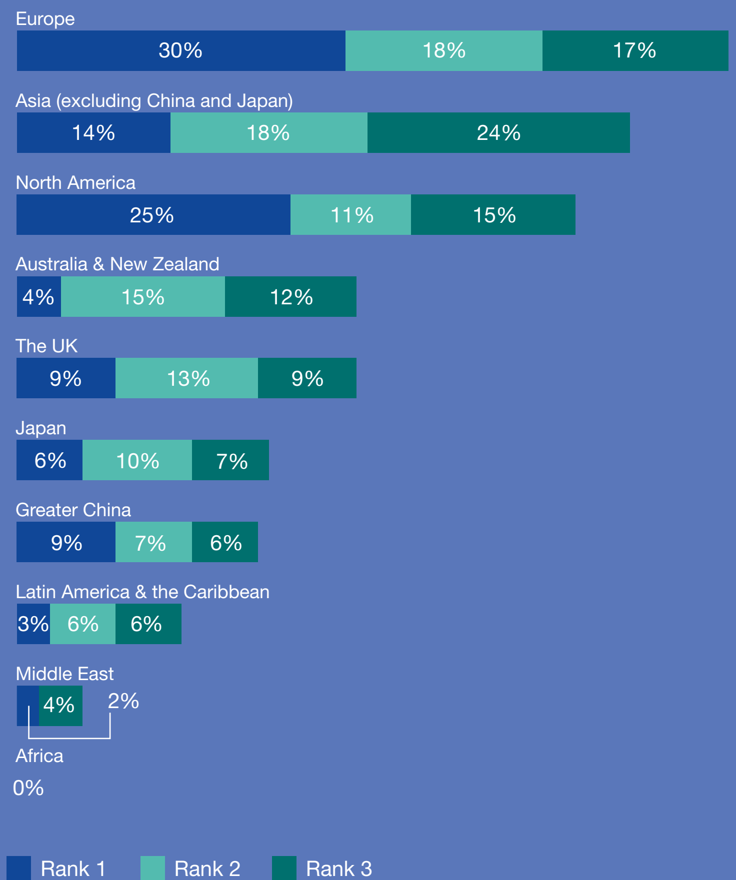


"Due to the tariff concerns and the challenges of conducting international transactions, I feel that allocating most funds for domestic M&A is the right plan for us," says the partner of a U.S. PE firm.

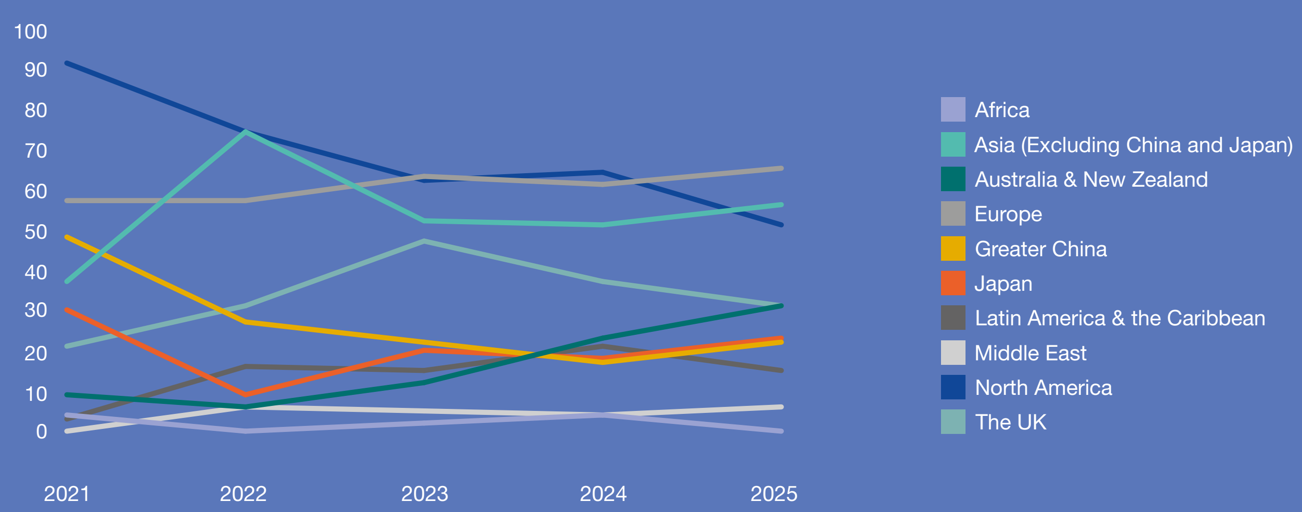
That inward focus is also reflected in shifting perceptions of opportunity. Last year, most respondents said North America offered the best opportunities for tech M&A, accruing a dominant 64% share of first-, second-, and third-choice votes. This year, that figure has dropped to 51%, trailing both Europe (65%) and Asia (56%, excluding China and Japan). Still, North America maintained a strong share of first-choice votes (25%), showing there is still a resolutely bullish view from U.S. dealmakers. A striking 92% of North American respondents expect their tech M&A to take place entirely within their domestic market.

The same trend is apparent among European dealmakers, who in this survey indicate a marked preference for tech M&A within their own region. Almost all these respondents, 94% believe Europe will offer among the best opportunities for tech M&A over the next 12 months. By comparison, just 43% of European dealmakers forecast opportunities in high-growth APAC markets.

Which of the Following Regions Do You Expect to Offer the Best Opportunities for Tech M&A Over the Next 12 Months? (Select Top Three and Rank 1-2-3, with 1 Being the Region Offering the Best Opportunities)



Which of the Following Regions Do You Expect to Offer the Best Opportunities for Tech M&A Over the Next 12 Months?
(Select Top Three) - Year-by-Year Results



Meanwhile, APAC dealmakers are preparing to venture further afield. Over half of this group (51%) expect to complete cross-border tech M&A in the coming year, up from just 38% in our previous survey. This uptick shows the expansionist ambitions of regional buyers and the maturing of neighboring innovation ecosystems, particularly in AI, semiconductors, and digital infrastructure.

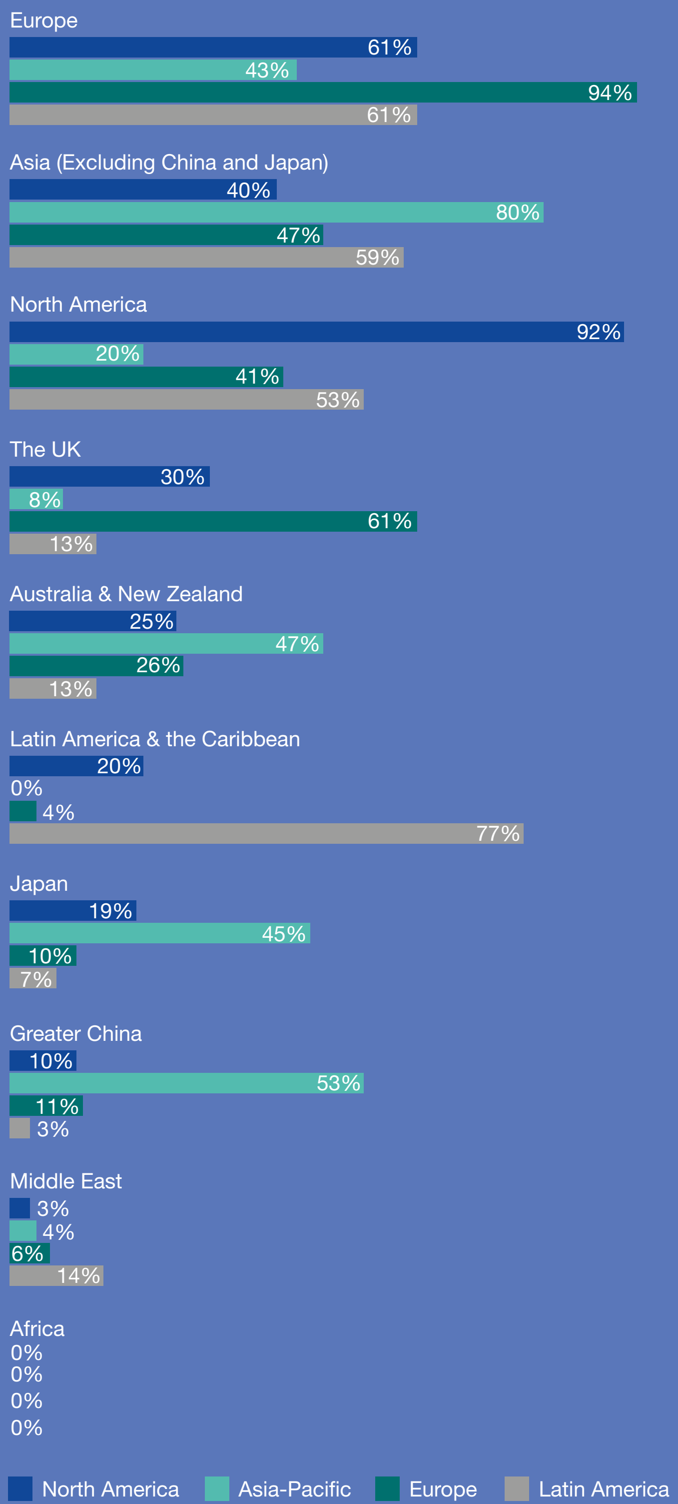
China's outbound M&A, however, remains constrained. Dealmaking has been on a decade-long downturn. The process continues to be governed by a complex multi-agency regime involving approvals or filings with the National Development and Reform Commission, Ministry of Commerce, and State Administration of Foreign Exchange. These regulatory layers are long-standing, and their impact is compounded by capital controls and geopolitical sensitivities. For instance, the authorities rarely grant approval for overseas direct investment into the United States. Strict scrutiny, especially in areas like emerging technologies, continues to inhibit deal activity. Transactions are often delayed by compliance hurdles and evolving political considerations. Buyers across Japan, Australia, India, South Korea, and Southeast Asia, however, may step into the breach.

Border Control

Regional confidence in managing trade tensions also varies significantly. While North American buyers expressed significant hesitation, those elsewhere are largely unfazed. Over two-thirds of Latin American respondents (70%) and 62% in Europe report no discernible impact of tariffs or trade-related headwinds on their cross-border M&A strategies. For these groups, geopolitical friction appears to be a background concern rather than a deal-breaker.

Ultimately, the picture is highly situational. PE firms are leaning into their global deal sourcing networks, emboldened by flexible investment mandates, risk-reward diversification, and the hunt for overlooked and scalable assets in high-growth regions. Corporate buyers, by contrast, are favoring familiarity, focusing on operational synergy, lower execution and integration risk, and regulatory predictability on home soil.

Which of the Following Regions Do You Expect to Offer the Best Opportunities for Tech M&A Over the Next 12 Months? (Select Top Three and Rank 1-2-3, with 1 Being the Region Offering the Best Opportunities)



SECTION 2:

Deal Dynamics

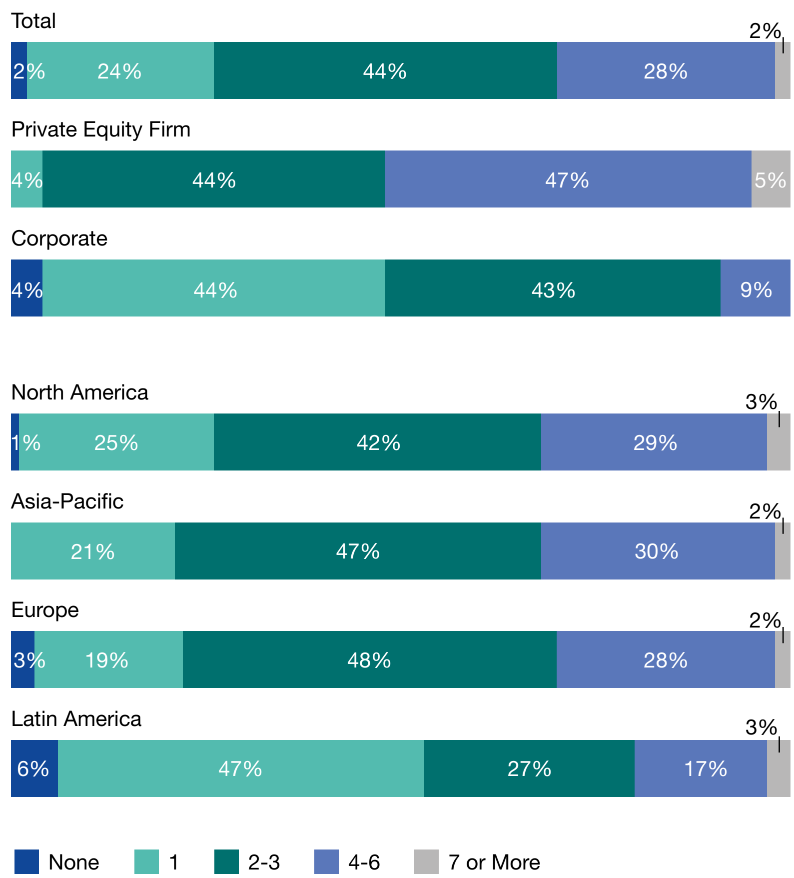
Dealmakers expect startup-focused transactions to come to the fore as acquirers zero in on up-and-coming AI assets. Risk management features prominently too, with respondents greatly favoring flexibility in their deal structures.

M&A value in the technology sector is finding its stride, even if volume is lagging. That may soon change. Buyers are shifting their focus toward earlier-stage companies, adapting deal structures to manage risk, and zeroing in on emerging subsectors. This realignment is happening across both corporate and PE buyers, but the tools and strategies they are deploying are distinct.

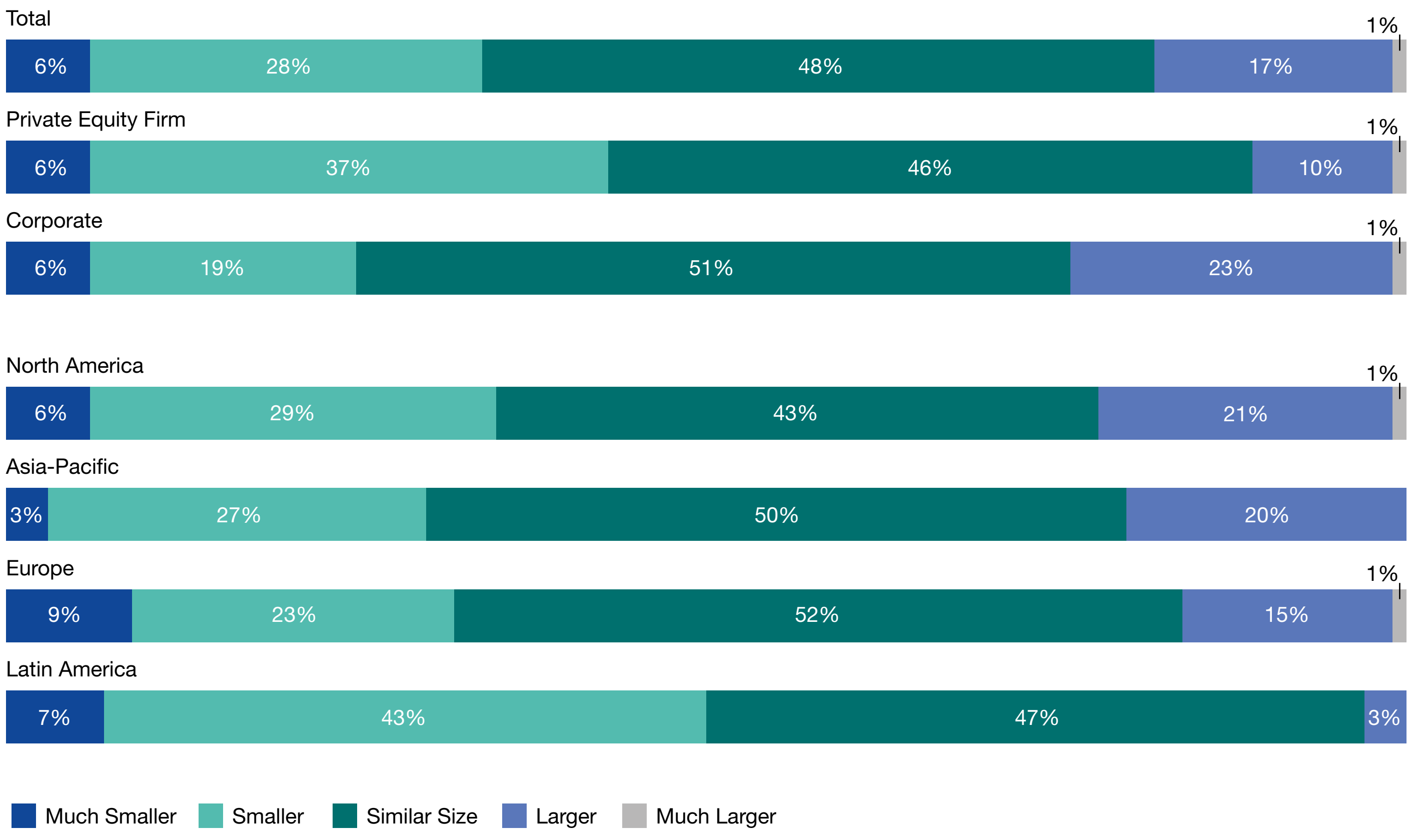
The overall mood is cautiously expansionary. Nearly a third of survey respondents (30%) expect to complete four or more tech M&A deals in the coming 12 months, up from 25% in last year's study. Corporate respondents in particular expect to become busier: although just 41% struck two or more deals over the previous 12 months, 52% expect to complete multiple transactions over the year ahead.

This rising corporate appetite coincides with a period of strategic refocusing. As emerging technologies begin to demonstrate real-world value, companies are increasingly turning to M&A to fill capability gaps, modernize operations, and sharpen their competitive edge.

Roughly How Many Tech M&A Deals Does Your Organization Expect to Complete Over the Next 12 Months? (Select One)



Generally, Are You Planning to Target Smaller or Larger Tech Businesses Over the Next 12 Months Compared to the Previous 12 Months? (Select One)



Going Small

Dealmakers are showing a stronger appetite for smaller and earlier-stage companies. Almost half of all respondents (46% of PE firms and 51% of corporates) say they plan to target businesses of similar size to those they acquired over the past year.

However, among PE firms and North American corporate buyers, there is growing interest in going even smaller: 43% of PE respondents intend to target sub-scale businesses in the next year, up sharply from 28% last year. In North America, that figure has jumped from 20% to 35%, the most significant increase among all regions surveyed.

This preference shift is also reflected in target company maturity. Startups (companies operating for less than two years) have overtaken young companies (2-5 years old) as the most popular targets. Half of all respondents now rank startups as their top target, a sharp rise from 29% last year. Mature companies (5+ years) hold much less appeal, attracting only 19% of first-choice votes.

Scott Behar, M&A Partner in Morrison Foerster's New York office, said: "The growing appetite for early-stage acquisitions highlights how acquirers are prioritizing innovation and adaptability over scale, reflecting confidence in the startup ecosystem."

Dealmakers cite multiple reasons for this: younger companies offer better integration flexibility, fresher technology stacks, and performance that is less correlated with broader market cycles. They also tend to be concentrated in high-growth, emergent areas like AI, cybersecurity, and deep tech.

Another major incentive for acquiring early-stage firms is that buyers can secure unique intellectual property rights and talent, often at lower purchase prices. "Implementing new strategies for growth works well with startups and young companies," says a partner at a U.S.-based PE firm. "Mature companies are not the best for acquisitions because they typically have a style of operating that cannot be changed easily."

Flexible Deal Structures

Valuation volatility and execution risk are motivating dealmakers to deploy more flexible, performance-contingent transactions. These are especially prevalent among PE buyers, who are aggressively ramping up their use of creative structures.

Nearly all PE respondents (97%) say they are considering minority investments over the next 12 months, up from 80% last year. An even more striking shift can be seen in the use of contingent consideration or earnouts, now planned by 84% of PE respondents, up from 60%. These mechanisms allow buyers to bridge valuation gaps, align incentives, and mitigate downside risk exposure.

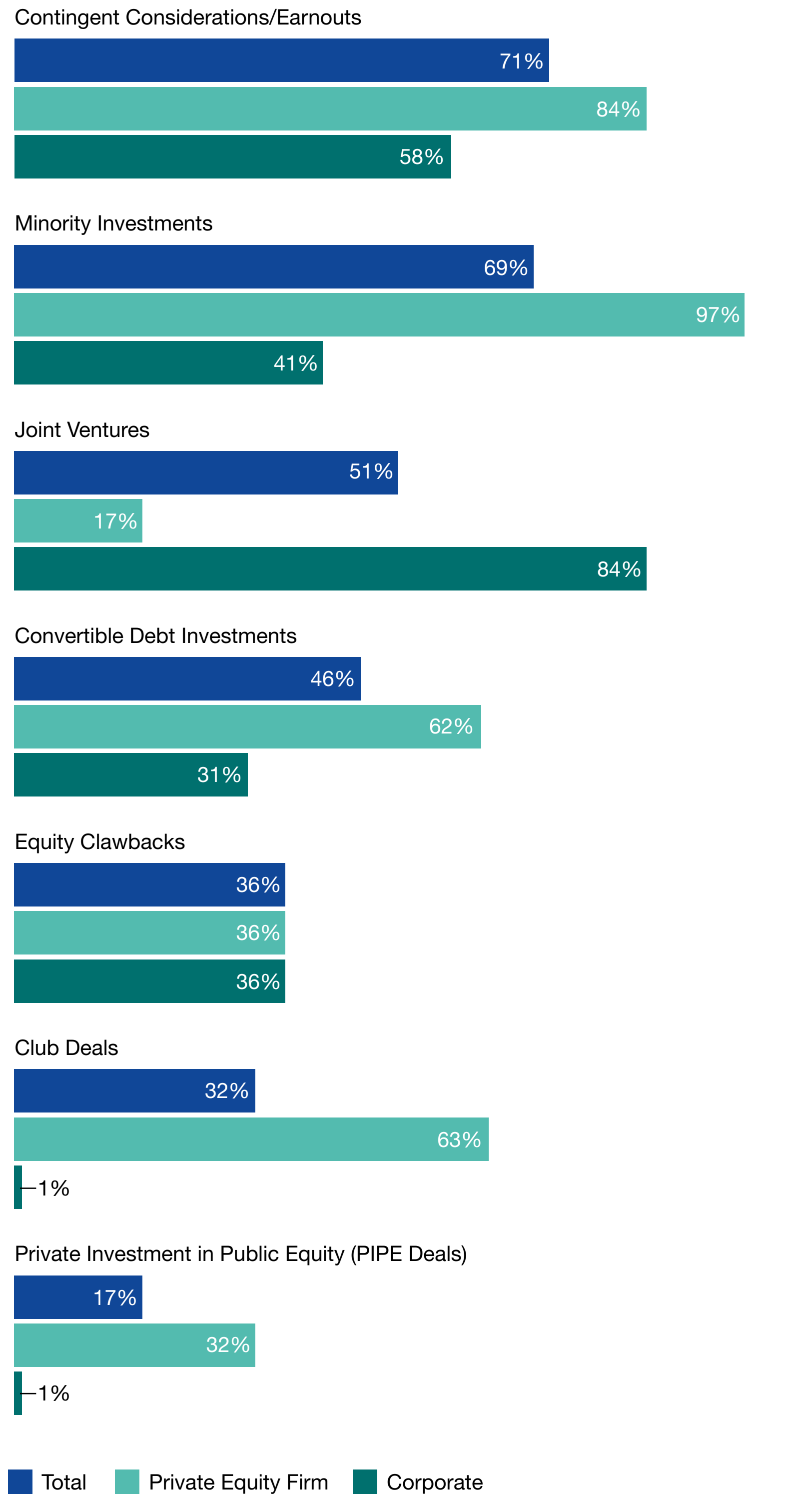
"Contingent consideration is ideal in the technology field, mainly due to the level of disruption," says a partner at a PE firm in India. "The payouts are based on specific milestones, so we do not pay more upfront. It reduces the burden on us as acquirers while incentivizing founders and management teams."

Convertible debt is also becoming more popular. Over half of PE firms (62%) are considering these instruments, up from 43% last year. This approach gives buyers optionality and downside protection while granting sellers growth-linked upside.

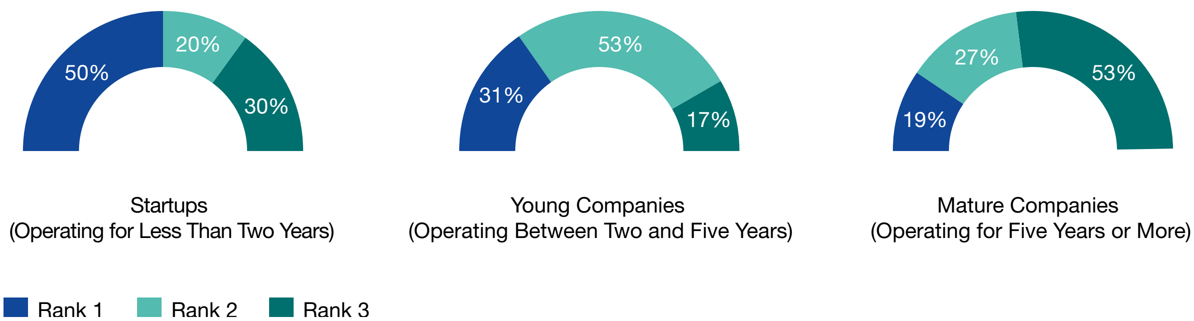
Corporates, on the other hand, are moving in the opposite direction. Appetite for structured flexibility is fading, with only 58% considering earnouts, down from 78%. Just over two-fifths (41%) are eyeing minority investments, falling from 48% since last year. Instead, joint ventures are surging in popularity, with 84% of corporates saying they are considering these in the coming year, up from 64%.

"For optimum growth and expansion strategies to work out effectively, we will consider joint ventures," says the head of M&A at a Canadian corporate. "It will allow us to balance out the risks and manage specific projects systematically."

Are You Considering Employing Any of the Following Deal Structures in Your Tech M&A Plans in the Next 12 Months? (Select the Most Likely)



At Which Stage of Development Does Your Organization Typically Target Tech Companies for Acquisitions?
(Rank 1-2-3, with 1 Being the Stage of Development That Your Organization Targets Most Frequently)



Joint ventures are especially appealing to corporates seeking to de-risk market entry, share costs, or sidestep regulatory hurdles. They also create alignment without full integration, an advantage when dealing with sensitive technologies or unfamiliar territories.

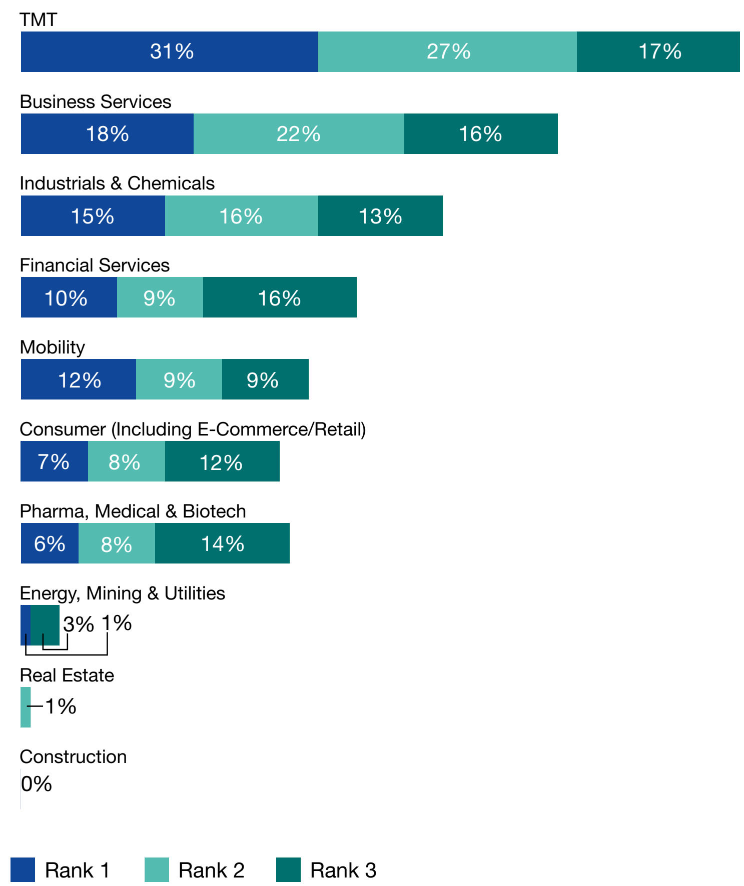
In July, Spanish utility giant Iberdrola and Ireland's Echelon formed a €500 million joint venture to develop green-powered data centers across Spain. The arrangement will leverage Iberdrola's renewable generation capacity and Echelon's hyperscale data infrastructure capabilities to meet surging demand from AI workloads while supporting decarbonization goals.

The agreement illustrates how corporates are increasingly using collaborative initiatives to pool knowledge, share costs, and manage technological complexity. As competitive pressure builds, these structures offer a strategic middle path that allows companies to pursue innovation and growth while managing risk.

Beyond Tech

Technology is embedding itself deeper into every operational layer across the full sector spectrum. From predictive maintenance in manufacturing to real-time fleet intelligence in logistics, the demand for digital capabilities is accelerating adoption deeper into workflows. For dealmakers, this means opportunity is no longer confined to traditional verticals. This broad wave of tech convergence is an opportunity for investors to unlock real value.

When Acquiring a Tech Company, Which End-User Industries Hold the Most Interest for Your Organization? (Select Top Three and Rank 1-2-3, with 1 Being the Industry in Which You Are Most Interested)



TMT and business services continue to lead as the most attractive end-user industries for tech acquirers, but momentum is building elsewhere. Interest in industrials & chemicals has grown steadily, now cited by 44% of respondents, up from 38% last year, while mobility has jumped to 30% from 20%.

Meanwhile, interest in the consumer sector as a growth opportunity has fallen sharply. Just 27% of respondents view it as a top-three end-user vertical for tech M&A, down from 43%. Cooling sentiment here is likely tied to input cost margin pressures, inconsistent demand recovery, and rising customer acquisition costs in many markets.

AI's Arrival

No area of tech is commanding more attention, or capital, than AI. Subsector priorities bear this out. After trailing cybersecurity for the past two years, AI has now claimed the top spot, with 70% of respondents naming it as a top-three opportunity and 20% ranking it first.

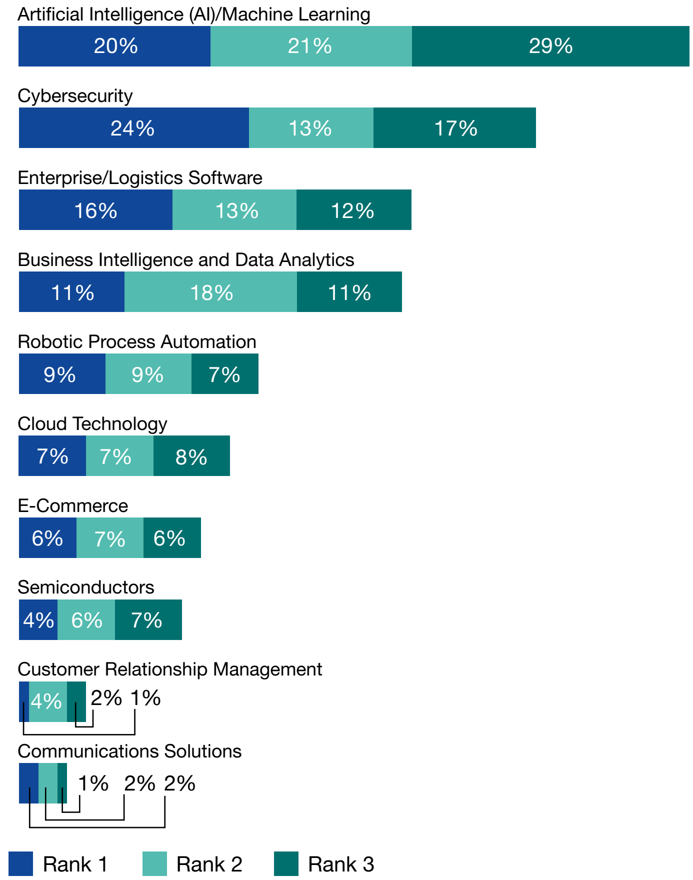
"AI is becoming an integral part of decisions related to future-proofing organizations," says a Netherlands-based PE partner. "Companies are going to source deals in AI-driven companies to stabilize and enhance their business models."

Cybersecurity still maintains a strong grip, with 54% of respondents ranking it among their top three subsectors for dealmaking, including the highest share of first-choice votes (24%). The two are by no means mutually exclusive: many deals are targeting AI-enhanced cybersecurity platforms or data-driven risk management tools.

Google, for example, agreed to purchase Israeli-American cloud security startup Wiz for $32 billion in March 2025, marking not only one of the largest cybersecurity deals in history, but the search titan's biggest to date. The acquisition is a testament to the growing demand for AI-native security platforms. This is a space in which Wiz has scaled rapidly by using machine learning to identify and prioritize cloud infrastructure risks.

Other subsectors attracting sustained interest include enterprise/logistics software (41%) and

Which of the Following Tech Subsectors Do You Expect to Present the Best Opportunities for Dealmaking Over the Next 12 Months? (Select Top Three and Rank 1-2-3, with 1 Being the Subsector Presenting the Best Opportunities)



business intelligence/data analytics (40%). These segments offer clear synergies with AI. Data analytics plays a foundational role in training, tuning, and deploying AI models, while B2B software is ripe for leveraging AI to optimize workflows. Competition for these assets will intensify as firms look to bulwark their digital capabilities and tap into technical talent.

"Companies are looking to acquire AI expertise," says a managing director at a South Korean PE firm. "The same goes for business intelligence and data analysis because of the shortage of niche talent in these subsectors."

Diligent Dealmaking

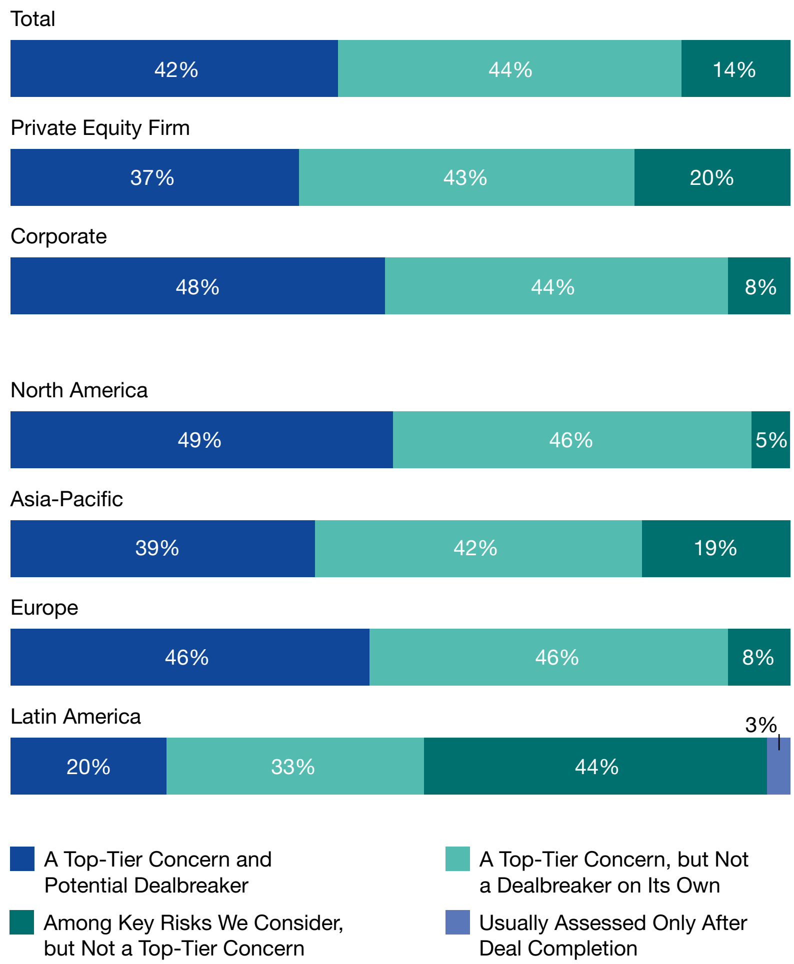
As digital capabilities become more critical, so too do the risks they introduce. Cybersecurity due diligence has become a defining step in tech M&A, with more than 90% of North American and European respondents treating it as a top-tier concern. Nearly half in each region (46% in Europe, 49% in North America) say cyber risk can be a dealbreaker.

Corporates are particularly risk-averse: 48% of corporate acquirers say cybersecurity issues could derail a transaction, compared with 37% of PE respondents. This reflects not only the tacit differences in their risk tolerance, but the brand and reputational exposure many corporates face when inheriting vulnerabilities from M&A targets.

Cyber diligence goes beyond just assessing technical systems. Buyers are increasingly scrutinizing the strength of target companies' alignment with developing regulatory frameworks such as the EU's NIS2 Directive and Digital Operational Resilience Act. Potential acquirers are closely examining target companies' cyber maturity, preparedness, and documentation.

Investors are also probing how well targets manage third-party cyber risk, searching for weak links as high-profile vendor breaches continue unabated. These third-party assessments include reviewing contracts with critical suppliers for incident notification clauses, indemnities, and audit rights, areas that are increasingly triggering legal pushback or renegotiation. As cyber becomes more of a board-level risk, liability allocation in purchase agreements is also tightening. Increasingly detailed warranties and standalone indemnities are becoming more common, covering breach disclosure, regulatory fines, or failure to remediate known vulnerabilities.

How Does Your Organization Approach Cybersecurity Risk in Potential M&A Targets? (Select One)



"AI is becoming an integral part of decisions related to future-proofing organizations. Companies are going to source deals in AI-driven companies to stabilize and enhance their business models."

Netherlands-based PE partner

SPOTLIGHT:

AI Accelerates

Despite concerns around transparency and ROI, the promise of AI is too great for dealmakers to ignore, lest they get left behind by the competition.

Few technologies have captured the imagination of investors like AI. It has moved rapidly from a speculative field of development to a foundational capability, reshaping industries and becoming a strategic imperative in M&A.

But as the technology transitions from sandbox to scale, dealmakers are navigating a far more complex terrain than they were a year ago. Regulatory scrutiny is intensifying, implementation costs are mounting, and the industry's opacity is raising some red flags.

According to our research, increasingly strict regulation is seen by 40% of respondents as among the greatest obstacles to the continued growth and uptake of AI technologies. This is in line with last year's findings, suggesting that regulatory risk is a sustained pressure on AI development and investment.

Closely following this as a challenge is a lack of transparency, cited by 38% of respondents. In an ecosystem where models are often black boxes and training data is rarely disclosed, concerns around bias, accountability, and explainability are taking center stage.

"The lack of transparency in AI is a major hurdle," says the director of strategy at a corporate in Italy. "It only creates misconceptions and clients do not trust the output. It creates doubt about the data used in AI."

At the same time, economic headwinds are sharpening scrutiny over the cost-benefit equation. A third of respondents cite high costs and unclear ROI as one of the biggest roadblocks to AI adoption. These concerns have grown louder as companies invest heavily in AI talent, infrastructure, and acquisitions, in some cases without yet seeing consistent or measurable returns.

"Leaders are spending a lot on AI applications and talent," says the CEO of a Japanese corporate. "But there are no clear indications that these investments will be successful. We do not know if the technology will sustain constant disruptions and expectations."

Early Adopters

Still, for many acquirers, the promise of AI is too great to ignore. When asked which sectors are currently integrating and harnessing AI most effectively, respondents identify the technology industry as the clear frontrunner, garnering 68% of top-three votes. Business services followed closely at 61%, a sign that outsourcing companies are increasingly turning to AI to streamline end-client operations, improve their customer engagement, and drive productivity gains.

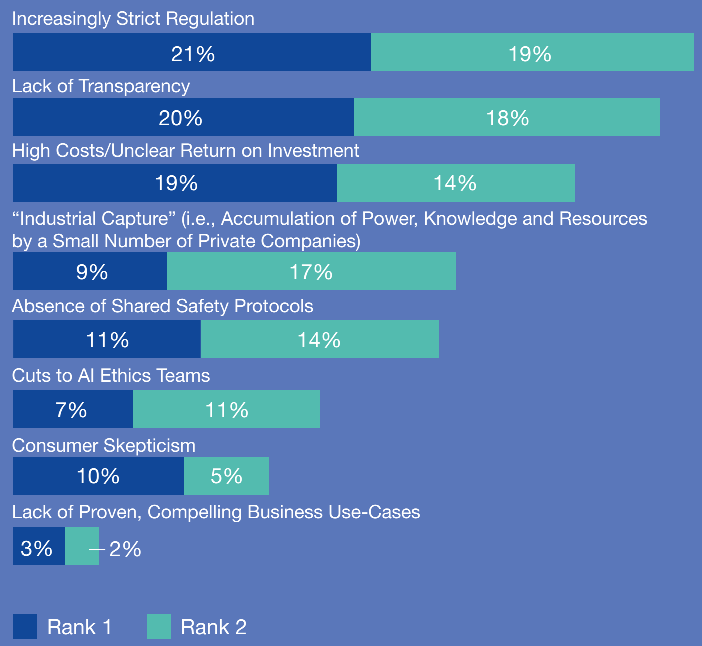
New sectors that have yet to fully exploit this tech are also entering the spotlight. The consumer industry made the most dramatic leap in perceived AI potential, jumping from the ninth most popular response in last year's study to the top. Now, 44%

of respondents believe consumer-facing sectors present the most opportunity for new or improved AI integration, on par with pharma, medical & biotech, which retained its leading position.

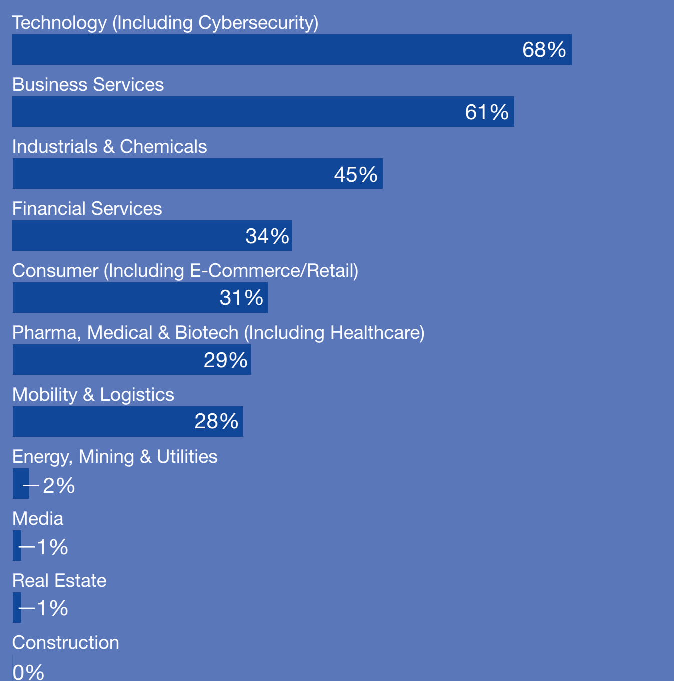
“AI continues to attract significant attention within and outside the technology sector,” said Tessa Schwartz, Co-Chair of Morrison Foerster’s Artificial Intelligence Group. “We are seeing substantial investment in the infrastructure that supports AI and companies that are accelerating integration of AI into their products and services. Innovation is being defined by leadership in AI.”

This shift denotes how broad the adoption curve is, as companies in traditionally less tech-intensive industries begin embedding AI into everything from product personalization to supply chain optimization.

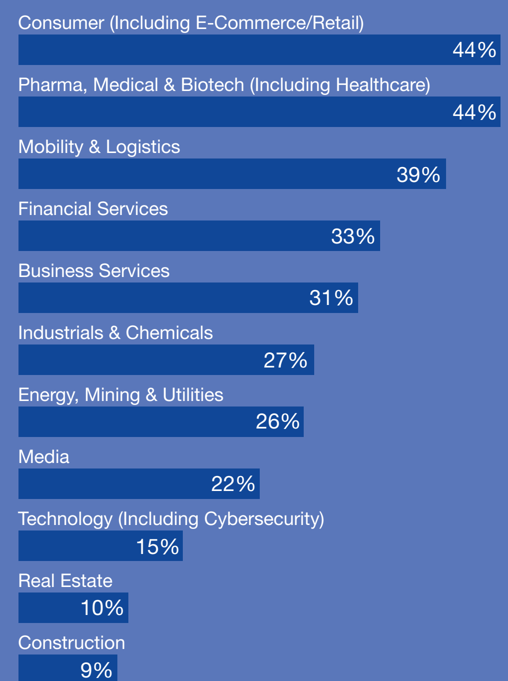
What Are the Greatest Obstacles to the Continued Growth and Uptake of AI Technologies? (Select Top Two and Rank 1-2, With 1 Being the Greatest Obstacle)



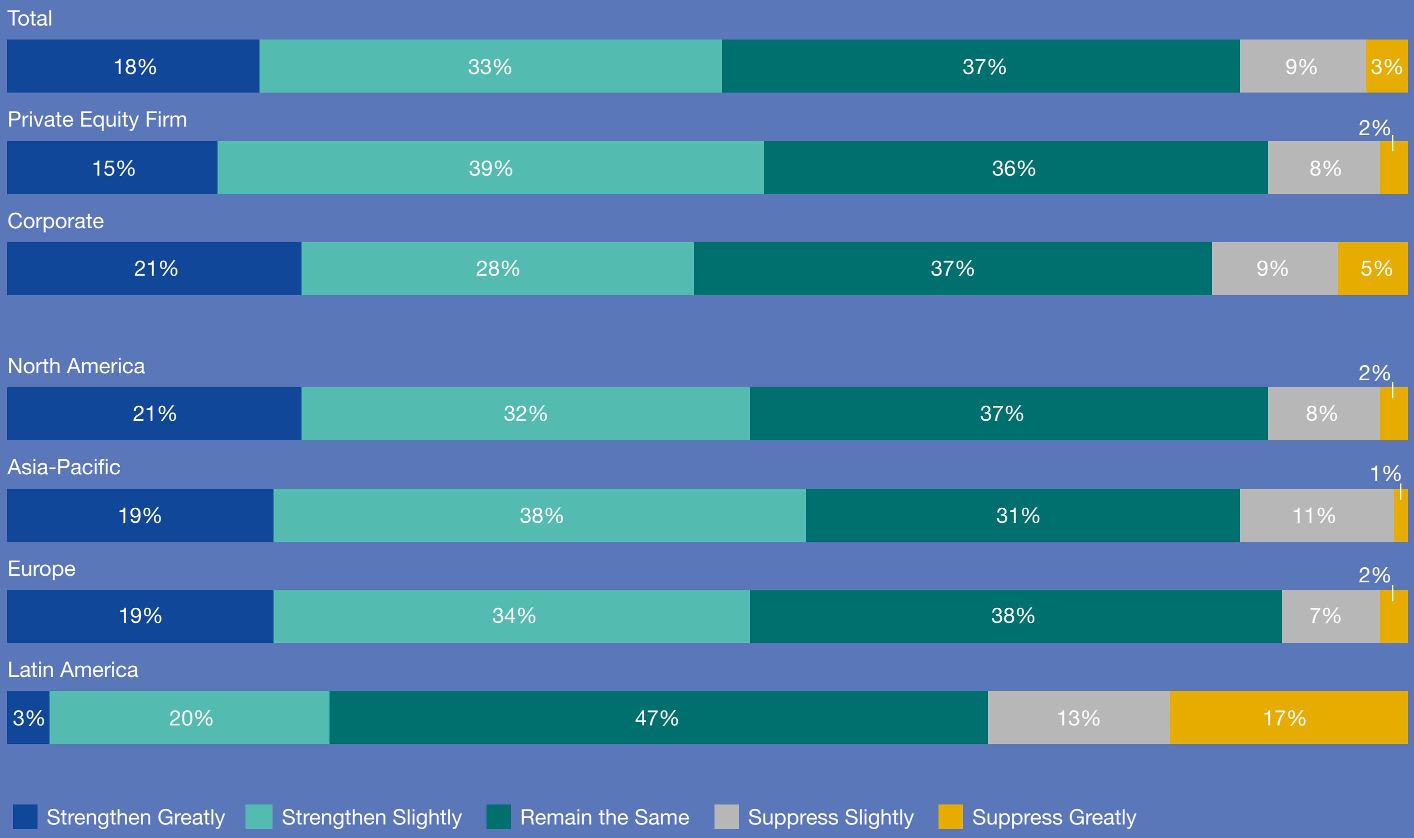
Which Industries Do You Believe Are Currently Integrating and Harnessing the Power of AI Most Effectively?
(Select Top Three)



Which Industries Do You Believe Hold the Most Potential for New and/or Improved AI Integration?
(Select Top Three)



How Would Notably Stricter AI-Related Regulation Affect Your Organization's Appetite for AI-Related M&A? (Select One)



Welcoming Regulation

As adoption spreads, so too will scrutiny. Most respondents acknowledge that stricter AI regulation is on the way and that it will reshape both product development and M&A strategy. What is striking, however, is the confidence of acquirers: 51% say their appetite for AI-related M&A would strengthen in response to stricter regulation, compared to just 12% who believe it would weaken.

Rather than shying away, investors appear to be preparing for a more mature and compliant AI ecosystem. Regulatory frameworks and ethical standards will provide a baseline for companies to demonstrate their transparency, responsible data use, and governance readiness. Leaders in these fields could command premium valuations.

However, others warn that the shift could stifle innovation, particularly among smaller players. "Increase in stricter regulations will dampen innovation in the AI segment," says a head of strategy of a U.S. corporate. "Companies will need to focus on compliances while building AI solutions to avoid unconscious bias or other ethical issues."

Stricter regulation or not, the balance of evidence points to the strengthening gravitational pull toward AI-related M&A. Buyers see opportunity to acquire core AI technology and embed capabilities into existing platforms. For PE firms, this includes platform rollups in enterprise Software-as-a-Service and data management. For corporates, it is about carving out competitive advantage and supercharging their digital transformation.

SECTION 3:

Drivers and Deterrents

Despite persistent valuation gaps and subpar financing conditions, dealmakers believe that now is the time to aggressively scale up their tech capabilities to bolster competitiveness.

In the race to secure technology leadership, dealmakers are prioritizing moves that help them stay ahead of the curve. While the need to keep pace with innovation remains constant, it is no longer the leading motivator it once was. Instead, the focus has shifted toward scaling.

According to our latest research, 58% of respondents place keeping up with the pace of technological advancement among their top three reasons for pursuing tech M&A. However, this driver garners just 10% of first-choice votes. Instead, scaling up to bolster competitiveness now leads, receiving the largest share of first-choice votes (22%).

In a sign of growing pragmatism, acquihires are also rising on the priority list. While only 15% of respondents cite it as their top motivation, a meaningful 39% place it in their top three. Corporates are especially focused here: 51% name it as a driver, compared with just 28% of PE respondents.

Product diversification has also taken on greater importance, with 19% of respondents ranking it first and 32% placing it in their top three reasons to transact. This is driven more by PE firms (38%) than corporates (24%), suggesting that financial sponsors are looking to expand portfolio exposure to new verticals, technologies, or user bases.

Price Discrepancies

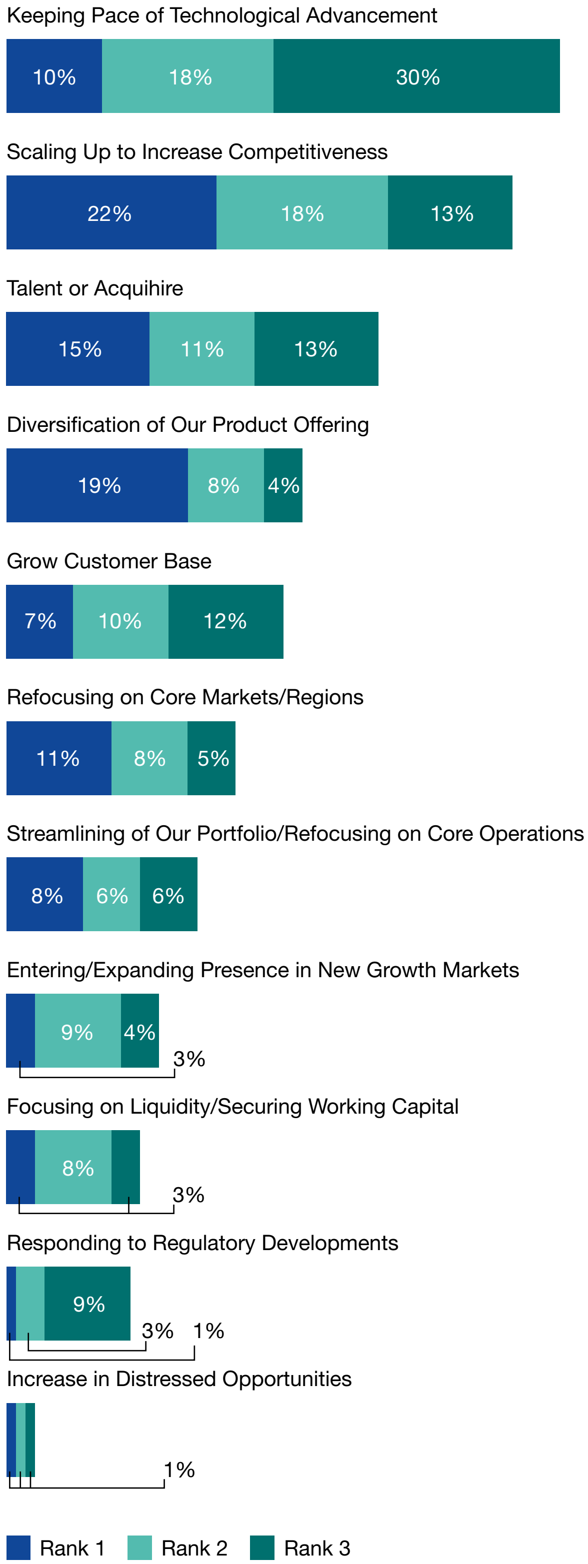
Despite growing confidence in M&A activity, pricing remains one of the biggest obstacles to completing deals. Wide valuation gaps have re-emerged as a serious concern this year, with 50% of APAC respondents identifying this as a key issue, more than doubling the 21% who raised the same concern a year ago.

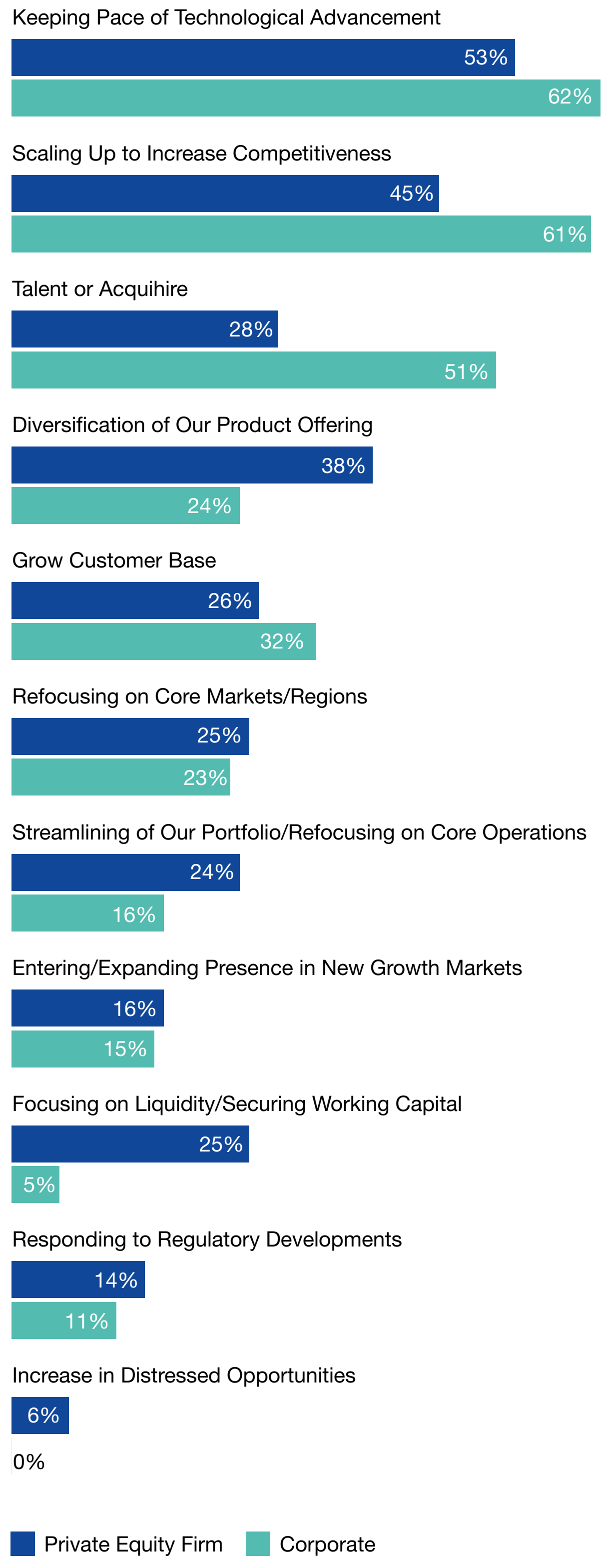
“Wide valuation gaps remain a challenge when conducting deals in fast-growth sectors,” says a Singapore-based PE partner. “Companies in the sector do not understand that their business is open to market vulnerabilities, too.”

European buyers (47%) and their North American counterparts (42%) also express ongoing pricing pressure concerns. These hurdles can be especially pronounced in AI, cybersecurity, and other hotly bid-up subsectors in which vendors are emboldened by hyper-growth narratives. Valuation optimism among sellers paired with disciplined risk management on the buy-side are stalling negotiations.

Earnouts, structured minority deals, and convertible instruments can help to bridge that gap. Sellers too are showing greater willingness to compromise on upfront consideration in exchange for performance-linked upside, especially when facing lengthier exits or fundraising hurdles.

What Will Be the Key Drivers of Your Tech M&A Dealmaking Over the Next 12 Months? (Select Top Three and Rank 1-2-3, with 1 Being the Most Important Driver)





Competition for assets continues to weigh heavily on dealmakers' minds, particularly in North America (40%), where it was the second most-cited challenge. Respondents in various jurisdictions report increasing urgency to source, negotiate, and close deals before rival bidders swoop in. "There will be greater competition for assets," says a PE partner in China. "We will have to push through deals for faster completion. But it's tough because we cannot compromise on comprehensive due diligence."

Corporate buyers voiced similar concerns, particularly around overpaying in fast-moving processes. "Competition for assets in the tech sector means higher bids for top targets," says the director of strategy at a French corporate. "We may overpay for these targets and not see the necessary returns on our investments over time."

Funding Gap

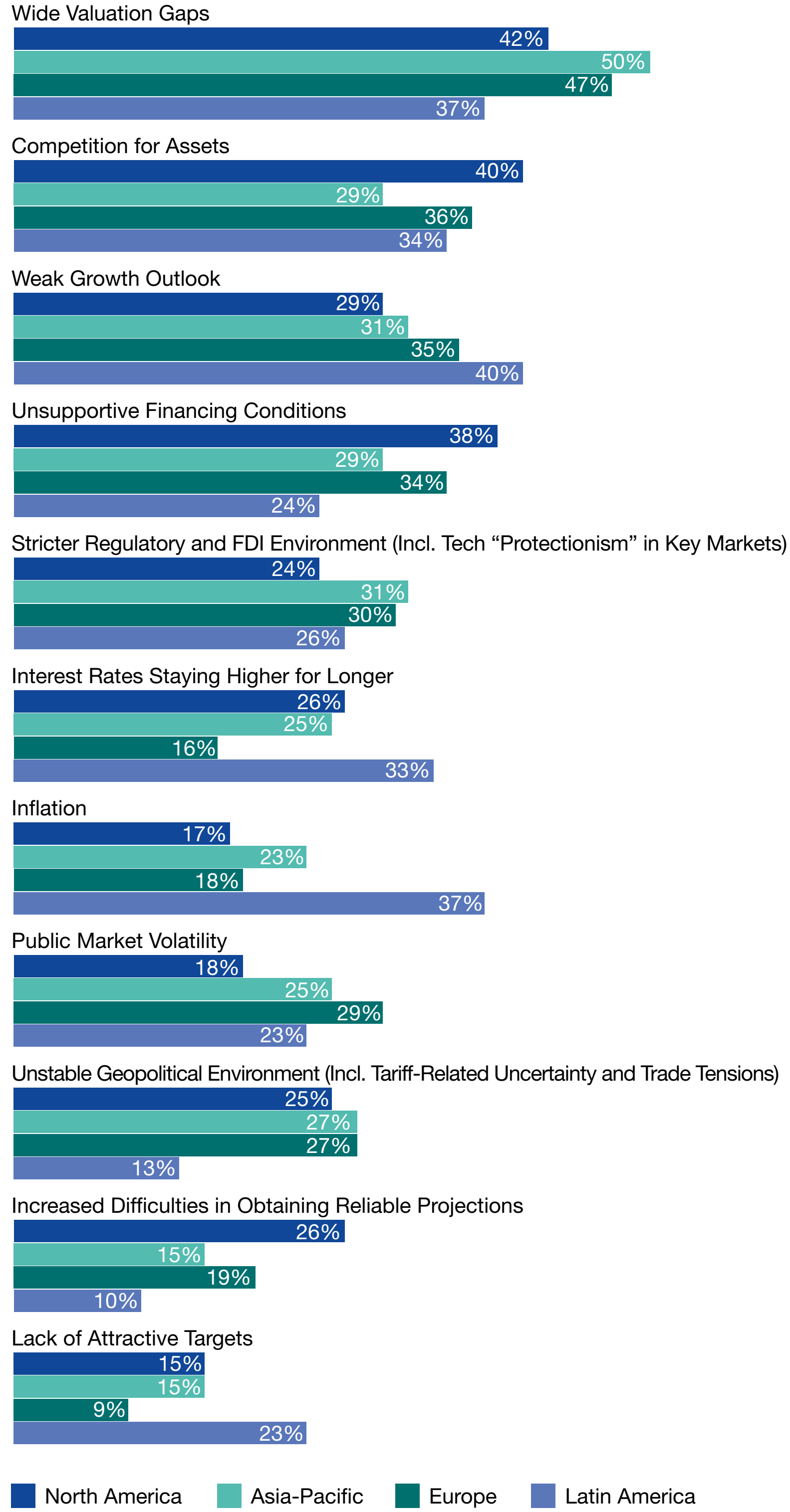
Tellingly, inflation is no longer a top concern, falling to just 22% of total mentions this year from around a third in the last edition of this survey. This decline coincides with disinflationary pressures building in many markets, including the United States.

Instead, unsupportive financing conditions and economic uncertainty are emerging as more acute barriers to M&A. Despite the United States having the most liquid debt markets in the world and greater financing options than anywhere else, 38% of North American respondents flagged this issue. However, investors across jurisdictions cited difficulties securing capital as a factor that could depress deal volumes or shift focus toward joint ventures or minority stakes.

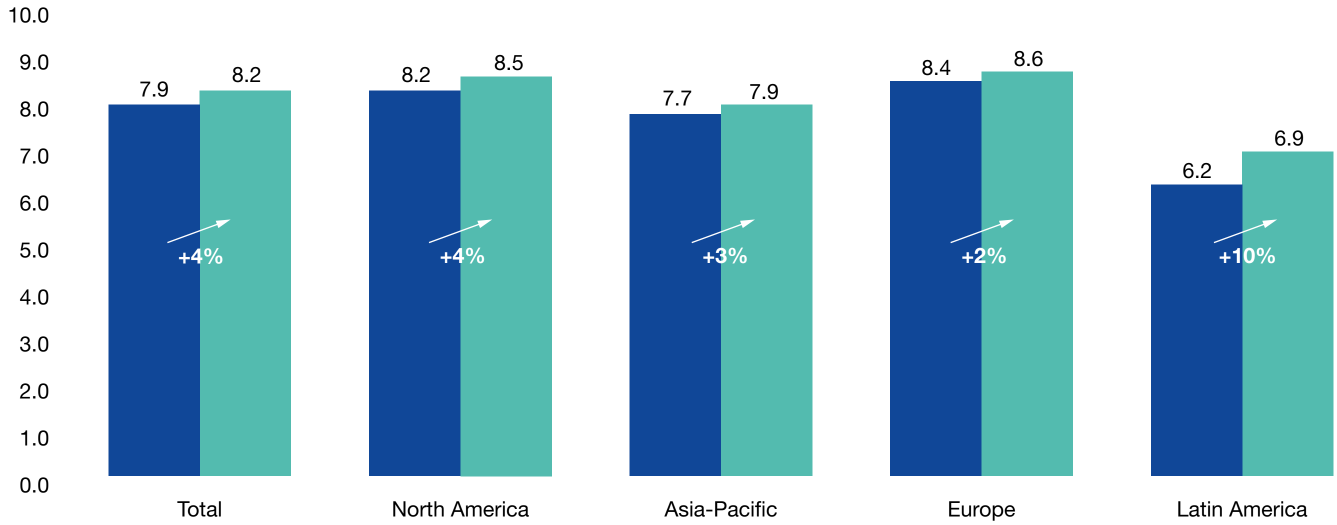
"Due to the unsupportive financing conditions, tech M&A deals will slow down," says a corporate CFO from Japan. "Companies will have to think of major carve-outs to finance their tech acquisitions if they don't have access to debt."

Another respondent, a corporate development director in Singapore, notes: "Financing conditions have been affected widely due to the economic uncertainty. Banks are not providing the funding support that they usually do, and this will be a challenge for dealmakers." These apprehensions are likely contributing to the shift in target preference seen throughout this report: toward smaller, earlier-stage businesses that are easier to finance, integrate, and scale.

What Will Be the Greatest Challenges to Tech M&A Over the Next 12 Months? (Select Top Three)



On a Scale of 0 to 10...



(A) How Important Were ESG Considerations When Selecting the Target of Your Most Recent Tech M&A Deal?*

(B) And How Important Do You Expect ESG Considerations Will Be When Selecting the Target of Your Next Tech M&A Deal?*

% change

*Average scores shown

ESG Baseline

One of the more striking reversals in this year's survey is the softening of ESG considerations in tech M&A. A year ago, respondents projected an average ESG priority rating of 8.7 out of 10 when looking ahead to their next deal. In reality, when asked to rate the importance of ESG in their most recent tech acquisition, respondents reported a lower than expected average of 7.9.

ESG is not fading, but it is no longer gaining ground. The expected increase in ESG weighting in forthcoming deals is just 4% this year, compared to 7% 12 months ago. Respondents now expect their ESG emphasis to rise from 7.9 to 8.2 on a 10-point scale, down from last year's forecasted jump from 8.1 to 8.7.

ESG remains a major consideration, particularly in regulated sectors or those exposed to scrutiny from LPs or customers. But it is maturing from a differentiator to a baseline expectation. Buyers are integrating these criteria into standard diligence and governance frameworks, decreasingly treating them as a source of competitive edge or premium value.

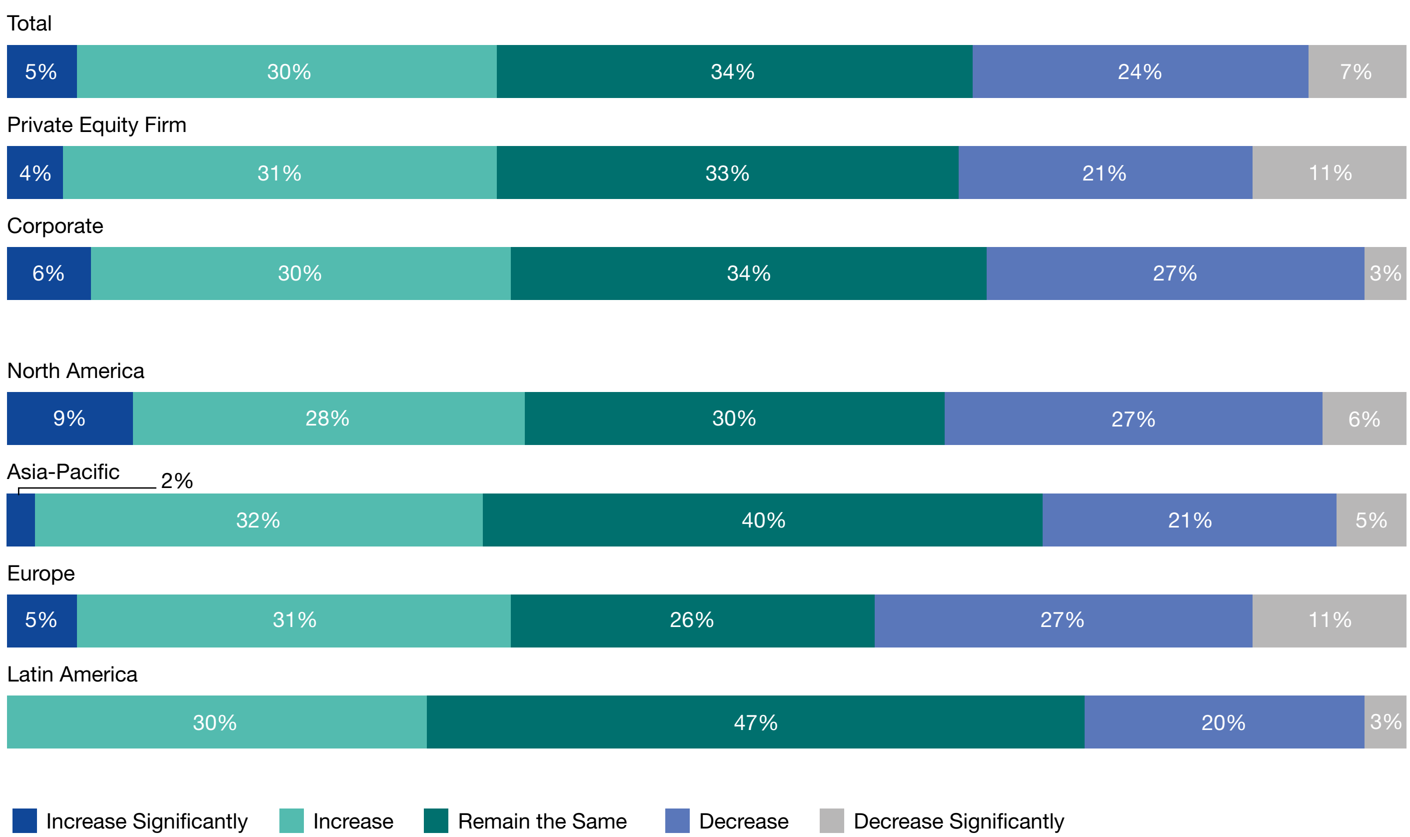
Suz Mac Cormac, Co-Chair of Morrison Foerster's ESG + Sustainability Group, said: "ESG is now a core element of M&A due diligence, reflecting how far the market has come. As the conversation evolves, companies are looking beyond compliance to evaluate the broader impact on long-term value

"

ESG is now a core element of M&A due diligence, reflecting how far the market has come."

Suz Mac Cormac, Co-Chair of Morrison Foerster's ESG + Sustainability Group

Do You Expect Shareholder Activism Connected with Tech M&A to Increase or Decrease Over the Next Three Years? (Select One)



creation. While the terminology around ESG may shift, the commitment from companies and dealmakers to priorities such as privacy, cybersecurity, anti-money laundering, climate, human rights, and responsible technology remains strong."

Shareholder Influence

Another shift in sentiment is seen in shareholder activism expectations. A year ago, respondents perceived this as a growing issue. Over half (51%) anticipated an increase in activism, while just 13% projected a decline.

Today, sentiment is more evenly distributed: 35% expect shareholder activism to increase, 31% believe it will fall, and 34% expect it to remain steady. This cooling of expectations runs counter to what is happening on the ground. According to Barclays, H1 2025 saw 129 new activist campaigns globally, only a modest 12% decline from 2024, a record-breaking year. Activity remains well above historical averages, with technology, industrials, and healthcare among the most targeted sectors.

However, in the United States, fewer proxy battles are going to actual votes, showing increased efficiency through settlements. Activists are achieving outcomes behind the scenes rather than through well-publicized, drawn-out fights, belying just how much influence they are exerting.

SECTION 4:

Conclusion

Disruption remains the norm for the tech space, while cross-industry convergence continues to mount with AI as the key thread connecting once disparate sectors.

Tech M&A dealmakers are preparing for transformation on multiple fronts. While many of the forces driving today's market are pressing in the immediate term, acquirers are also sharply attuned to the deeper shifts that will shape activity over the next three years.

The single most widely anticipated trend in this regard is the rise of industry disruptors, cited in 56% of the top-three responses. As new AI-powered entrants rapidly scale, incumbents are increasingly viewing M&A as the fastest route to tap into emerging capabilities and defend their market position. A case in point, advertising giant Publicis Groupe invested €600 million in 2025 as part of its Core AI strategy, with plans to invest more by year's end to capitalize on sector disruption.

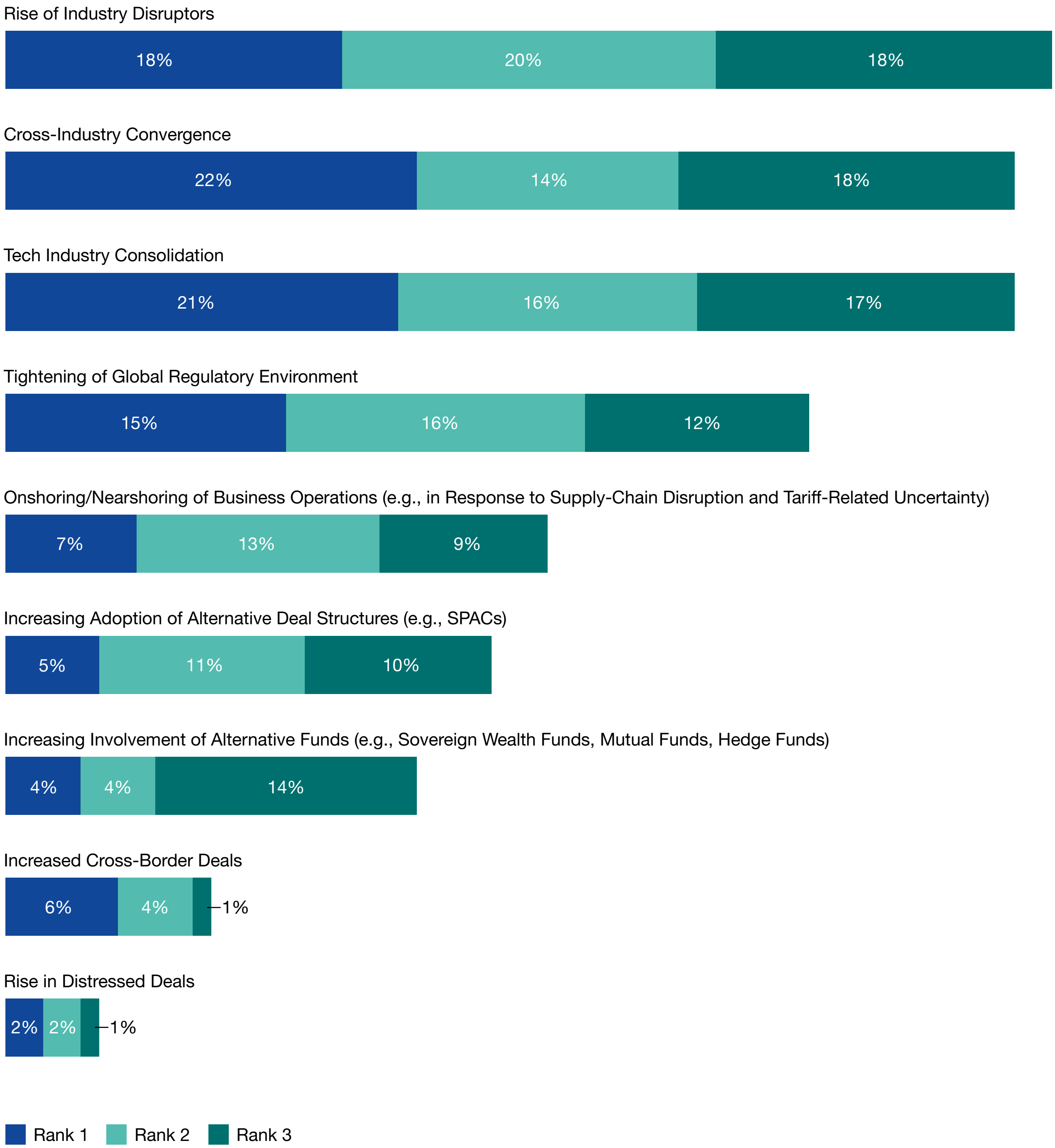
Closely tied to this is the growing expectation of cross-industry convergence, cited by 54% of respondents as a top-three trend and by as many as 22% as the single biggest theme shaping tech M&A.

As boundaries blur between tech and other sectors, buyers will need to source beyond their traditional domains to stay competitive. This means not just acquiring adjacent capabilities, but rethinking what industry lines themselves mean. Whether it is fintech companies deploying AI in underwriting tools, or industrial firms acquiring software assets to automate operations, convergence is the new baseline for growth and relevance.

Meanwhile, consolidation within the tech sector itself continues to rank as a key expectation, cited by 54% in total as a top-three theme influencing the deal market. From software rollups to building scale in semiconductors, acquirers remain focused on aggregating scale and capabilities within high-growth segments.

Regulation is also gaining ground in the M&A outlook. Although it still trails these leading trends, the tightening of the global regulatory environment has moved from fifth to fourth place, propelled by a more than twofold increase in first-choice rankings, from 7% to 15%. With scrutiny intensifying around data, AI governance, and cross-border M&A, dealmakers are clearly bracing for more onerous compliance requirements.

What Will Be the Key Trends in Tech M&A Over the Next Three Years? (Select Top Three)



SECTION 5:

Key Takeaways

1
Diving into a Shallow Pool of High-Quality Assets

Prized tech targets are in short supply, and dealmakers know it. As AI, cybersecurity, and data analytics continue to draw outsized investor interest, competitive tension is intensifying. Buyers report having to accelerate sourcing and streamline negotiations to stay ahead of rivals, all while maintaining rigorous due diligence. Top-decile assets are commanding premium valuations, prompting bidders to act quickly and decisively.

2
Flight to Familiarity and Domestic M&A

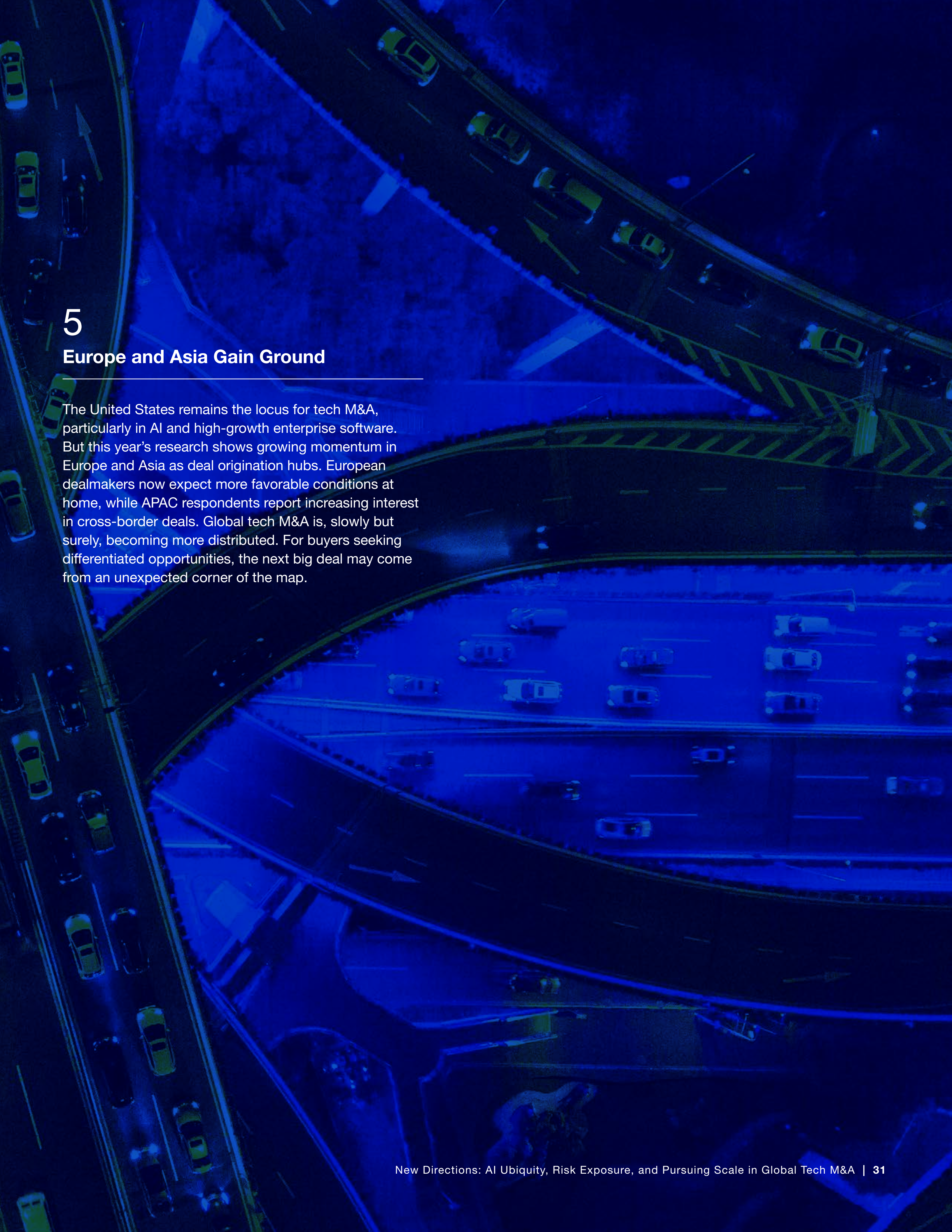
While PE firms remain open to global opportunities, corporates are pulling back from cross-border tech M&A. North American and European dealmakers are scaling back their overseas exposure and doubling down on familiar markets. Domestic deals offer greater visibility and cultural alignment, compelling reasons to focus inward in uncertain times. The global market may be open, but for many acquirers, home is the safest place.

3
Pivot to Joint Ventures, Earnouts, and Hybrid Models

In today's risk-minded market, bold buyouts are taking a back seat. Buyers are instead favoring joint ventures and creative structuring to reduce their downside exposure. Earnouts and contingent consideration are on the rise among PE firms, enabling acquirers to manage valuation uncertainty without walking away from deals entirely. In short, dealmakers are building in flexibility at every stage, structuring transactions that align upside with delivery.

4
AI Gold Rush and Regulation

AI is ascendant. With 70% of respondents naming it a top-three subsector for opportunity, it has leapfrogged cybersecurity to claim the top spot in this year's research. Interestingly, concerns around regulation are not suppressing AI dealmaking. In fact, a slim majority say increased regulatory oversight would make them more likely to pursue AI-related M&A. Buyers see these deals as a way to embed strategic capability, acquire hard-to-source talent, and stay ahead of competitors. As demand continues to rise, the AI land grab shows no signs of slowing down.



5

Europe and Asia Gain Ground

The United States remains the locus for tech M&A, particularly in AI and high-growth enterprise software. But this year's research shows growing momentum in Europe and Asia as deal origination hubs. European dealmakers now expect more favorable conditions at home, while APAC respondents report increasing interest in cross-border deals. Global tech M&A is, slowly but surely, becoming more distributed. For buyers seeking differentiated opportunities, the next big deal may come from an unexpected corner of the map.

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We partner with our technology clients throughout the life cycle of their innovations and around the globe, from company formation and patent applications, to licensing and other commercial transactions, M&A transactions, intellectual property strategy, privacy and data security policies and litigation, employment issues, tax, corporate finance, and, should it arise, complex, high-stakes litigation of all types. As regulation and government scrutiny on tech companies increase globally, we also partner with clients to navigate that uncertain landscape, leaning on the experience of our many lawyers who previously held roles in government. With deep technology law capabilities in the United States, in Europe, and across Asia, our advice is truly global.

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