



M & A
WORLDWIDE

Artificial Intelligence & Machine Learning

Rationales for an M&A Strategy

INDUSTRY REPORT - 2025 Q2

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1. Executive Summary

The global Artificial Intelligence and Machine Learning (AI and ML, henceforth) sector, valued at €173 billion in 2024, is expected to experience strong growth, reaching €777 billion by 2030 at a CAGR of 28%, driven by advancements in automation, data analytics, and deep learning models. Since the beginning of the decade, AI and ML have evolved from niche technologies into foundational drivers of innovation across nearly every industry. As businesses increasingly prioritize digital transformation, AI and ML have become critical for improving operational efficiency, personalizing user experiences, and providing actionable insights at scale.

Innovation and consumer acceptance in AI and ML has seen significant acceleration since the beginning of the decade, driven by advancements in large language models (LLMs), the expansion of computing capabilities, and the surge in enterprise demand. M&A activity peaked in 2021, with valuations and volume of transactions hitting their highest points amidst growing optimism around AI and favourable macro economic conditions. However, by 2022, this momentum slowed due to macroeconomic pressures, rising energy consumption concerns and geopolitical uncertainties, before picking back up in 2024.

Despite the slowdown, the technology continued to show quick improvements during the period, with a growing adherence and enthusiasm by both companies and consumers. Key sectors such as healthcare, finance, manufacturing, and logistics have been quick to adopt AI solutions to enhance decision-making and reduce costs. At the same time, major players, such as Apple, Accenture, Microsoft, IBM, Siemens and NVIDIA, pursued strategic acquisitions to deepen their AI capabilities, acquire industry know-how and expand into new markets.

Some highlights from our analysis:



2021 saw a peak in M&A activity in the sector with a total deal value of €45.2B and 369 deals



PE firms are heavily invested in the sector, representing 35% of the total transactions



The 10 biggest transactions represent 49% of the total transaction value



Health Care, Media and Finance are the most active non-IT industries



Major players are acquiring companies to tap into the latest technological innovations



North America accounts for 55% of the total transactions in the period

2. Market Overview

The AI and ML sectors are undergoing rapid transformation, driven by advancements in automation, data analytics, and deep learning models. The AI and ML adoption across industries from financial services to healthcare, cybersecurity, and automation is leading to an acceleration of M&A activity. The AI and ML market is expected to surpass €777 billion in valuation by 2030, growing at a CAGR of 28%. As the market expands, key drivers are shaping its future:



AI-driven automation is reducing operational costs by 30% across enterprises with 70% of global businesses are projected to adopt AI-powered workflow automation by 2027



In the e-commerce sector a total of €187 billion in holiday shopping orders were influenced by AI during November and December 2023, with only 3% of organizations not planning on adhering to AI.

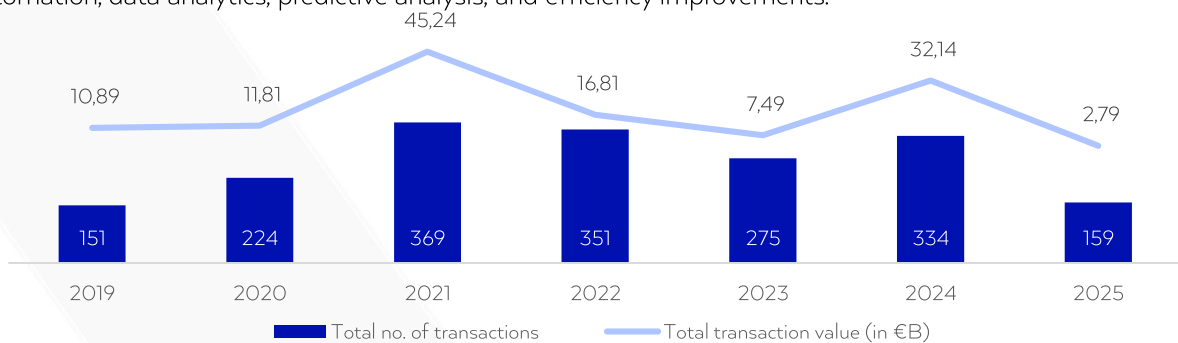


In the U.S., 91 % of banks use AI for fraud detection, and 76 % of financial professionals have automated core reporting processes.

3. M&A Analysis

3.1. Deal Value & Volume

- The AI and ML industry has seen an unprecedented surge in M&A over the past 5 years, driven by rapid technological developments, enterprise adoption, increased cost efficiencies and automation possibilities, as well as strong market expectations.
- M&A activity within the sector is primarily driven by software companies, which account for over half of both the total deal volume and value. This strong interest is largely attributed to the growing demand for digital transformation and innovation. In addition, substantial investments are being made in the Healthcare Technology, Media, IT Consulting, Advertising, Finance and Aerospace sectors, driven by the increasing need for automation, data analytics, predictive analysis, and efficiency improvements.



- The peak year was 2021, with 369 deals and a record €45.24B in deal value, driven by strong investor interest and large-scale transactions.
- A decline followed in 2022, with deal value dropping to €16.81B— less than half of the 2021 peak. The slowdown continued into 2023, which saw the lowest total deal value (€7.49B), largely due to interest rate hikes that slowed investment activity and geopolitical uncertainty.
- 2024 showed signs of recovery, with large transactions happening totalling €32.14B in value, indicating renewed investor confidence in the market fuelled by the decrease in interest rates.

3.2. M&A Trends & Outlook

3.2.1 AI and ML M&A Trends

The M&A landscape in AI and ML is characterized by the following trends:

- **Geographic concentration and key players** - North America dominated, accounting for more than half of the acquisitions between 2019 and April '25, led by tech giants such as Apple, Microsoft, IBM, Siemens, NVIDIA and PE firms. Europe and Asia lagged, reflecting more cautious capital markets and regulatory headwinds.
- **Greater focus on AI sub-sectors** - Early deals were often platform or talent-driven. Post'21, we've seen greater focus on niche AI sub-sectors—like generative AI, AI-accelerator hardware, and synthetic data—where buyers seek defensible moats instead of broad-based platform plays.
- **The need to stay competitive** - AI fuels innovation by powering personalized Products & Services and driving R&D with simulation and design tools. While its ability to automate routine tasks cuts costs and boosts efficiency, making strategic acquisitions essential for enterprises aiming to scale rapidly and stay competitive.
- **PE involvement** - Since 2019 acquisitions with the involvement of PE firms have represented up to 35% of the total transactions in the AI and ML sector, with Thoma Bravo, Madison Dearborn Partners and The Carlyle Group being the most acquisitive ones.

3.2.2 Biggest Disclosed Transactions

Date	Target	Country	Deal type	Buyer	Deal value (€M)	EV /Revenue	EV /EBITDA
Apr-21	Nuance Communications, Inc.	USA	Majority	Microsoft Corporation (NASDAQGS:MSFT)	15,680	11.9x	59.7x
Oct-24	Altair Engineering Inc.	USA	Majority	Siemens (XTRA:SIE)	9,377	15.8x	120.5x
Oct-21	Aspen Technology, Inc.	USA	Majority	Emerson Electric Co. (NYSE:EMR)	5,805	15.1x	28.2x
Feb-24	Yandex LLC	Russia	Majority	PJSC LUKOIL ; AMC "Lerta Capital" Ltd	5,008	n.a.	n.a.
Dec-20	Ingram Micro Holding Corporation	USA	Majority	Platinum Equity, LLC	4,989	0.1x	6.5x
Dec-22	Vivint Smart Home, Inc.	USA	Majority	NRG Energy, Inc. (NYSE:NRG)	4,815	3.2x	49.1x
Aug-24	ZT Group Intl, Inc.	USA	Majority	Advanced Micro Devices, Inc. (NASDAQGS:AMD)	4,523	n.a.	n.a.
May-22	ManTech International Corporation	USA	Majority	The Carlyle Group Inc. (NASDAQGS:CG)	4,343	1.7x	13.7x
Jun-21	Cloudera, Inc.	USA	Majority	CCR, LLC; KKR & Co. Inc. (NYSE:KKR)	3,965	5.1x	215.5x
Oct-19	Sophos Group plc	UK	Majority	Thoma Bravo, L.P.	3,625	5.5x	40.9x

3.2.3 Valuation Multiples Evolution

Over the past years, valuation multiples in AI and ML have fluctuated due to macroeconomic conditions, technological advances, and increased market expectations. The following table outlines the evolution of the median EV/Revenue and EV/EBITDA multiples in the sector:

Year	EV/Revenue Multiple	EV/EBITDA Multiple
2019	3.0x	13.4x
2020	2.2x	8.0x
2021	4.6x	20.4x
2022	1.7x	14.8x
2023	2.6x	17.4x
2024	2.7x	19.2x
2025 ¹	4.2x	11.1x

- Valuations peaked in 2021 with average EV/Revenue multiples of 4.6x and 20.4x for EV/EBTIDA multiples, largely due to the abundance of liquidity post covid and low interest rates in 2021.
- 2022–2023 saw a sharp decline due to geopolitical uncertainty cause by the War in Ukraine and the subsequent rise in interest rates.
- In 2024 there was a decline in interest rates which helped propel the valuation in the sector to similar multiples of those in 2021.

3.2.5. Regional Trends in AI and ML M&A

The M&A landscape for AI and ML is highly dynamic, with regional differences reflecting varying market maturity and strategic priorities. Key trends by region include:

Region	Key Drivers of AI and ML M&A
North America	Cybersecurity, healthcare diagnostics automation, fraud detection
Europe	Healthcare diagnostics automation, autonomous vehicles, marketing automation
Asia-Pacific	Cybersecurity, supply-chain optimization
Latin America	Marketing automation, supply-chain optimization

- **North America** – Dominates the market in both deal value and volume representing 55% of the total transactions, driven by the high concentration of advanced technology firms and strong demand for automation and technology development. The US has seen significant private equity activity, with numerous technology-focused funds investing a total of €29 billions in the sector.
- **Europe** – Cross-border deals are common as companies seek to expand their presence across markets. The UK is the biggest player representing 23% of the transactions volume in Europe, driven by its strong financial services sector and access to international markets.
- **Asia-Pacific** – Displays the lowest valuation multiples of any region, with the EV/Revenue multiple averaging 3.0x. Transactions from India, South Korea and China accounting for 78% of the total transaction value in the region.

3.3. Most Active Buyers

Buyer	Country	Description	Deals from 2019-2025 ¹
Accenture plc (NYSE:ACN)	Ireland	IT and business consulting company	14
Thoma Bravo, L.P.	USA	Private equity firm	12
Madison Dearborn Partners, LLC	USA	Private equity firm	10
The Carlyle Group Inc. (NASDAQGS:CG)	USA	Private equity firm	9
IBM (NYSE:IBM)	USA	Technology company	8
Ai Software, LLC	USA	Technology company	7
ServiceNow, Inc. (NYSE:NOW)	USA	Technology company	7
Siemens Aktiengesellschaft (XTRA:SIE)	Germany	Technology company	6
Advanced Micro Devices, Inc. (NASDAQGS:AMD)	USA	Technology company	6

3.4. M&A Drivers Behind AI and ML

3.4.1 Access to Specialized Talent

As demand for advanced AI capabilities accelerates, talent-driven acquisitions are becoming more common. With high-caliber AI engineers and data scientists in short supply, companies are acquiring specialized start-ups to quickly access critical expertise. These transactions often focus less on current revenues and more on securing teams with the skills to build, train, and deploy AI systems at scale—circumventing protracted hiring cycles and escalating compensation pressures.

Case study: In January 2020, Apple acquired Xnor.ai, a company known for its edge-AI expertise and cutting-edge research team. The acquisition was primarily talent-driven, aimed at enhancing Apple’s on-device AI capabilities for iPhones and other hardware. By integrating Xnor.ai’s engineers and proprietary low-power computer vision technology, Apple sought to improve performance and privacy by processing AI tasks locally on devices, reducing dependence on cloud computing. This move exemplifies how acquiring specialized AI teams can accelerate innovation and deliver strategic advantages beyond traditional product acquisitions.

The race to build next-generation AI capabilities and fast paced technological evolution creates a need to have access to the most state-of-the-art intellectual property. As the cost and timeline of developing proprietary models, algorithms, and hardware escalate, firms are opting to acquire proven technologies to accelerate deployment. By integrating ready-built solutions—such as advanced language engines or domain-specific data sets—into existing platforms, acquirers can reduce time-to-market and minimize the risks associated with in-house development.

Case study: In April 2021, Microsoft acquired Nuance Communications to absorb Nuance’s state-of-the-art conversational AI and speech-recognition IP for healthcare. Rather than build from scratch, Microsoft plugged Nuance’s proven models directly into its product offerings.



3.4.3 Economies of Scale and Synergies

Synergy realization remains a key driver of AI and ML-focused acquisitions. Larger organizations can reduce costs by integrating smaller teams into existing operations, leveraging shared infrastructure and support services. In parallel, start-ups gain scale by tapping into the acquirer’s distribution channels, brand reach, and customer base. These combined cost efficiencies and revenue expansion opportunities often underpin the commercial rationale for many AI and ML M&A deals.

Case study: In June 2024, Recursion Pharmaceuticals and Exscientia merged their AI-driven drug-discovery platforms. The combined entity is projected to realize roughly €94 million in annual synergies by 2027 through consolidated R&D, shared cloud-compute infrastructure, and unified data-science teams—allowing both companies to scale their compound-screening pipelines more efficiently than operating separately

3.5. Risks, Challenges, & Regulatory Compliance

3.5.1. Antitrust and Competition Scrutiny

Regulatory scrutiny is emerging as a critical factor in AI and ML M&A, particularly around antitrust concerns and market concentration. As leading tech firms consolidate AI capabilities, regulators are increasingly focused on preserving competition and preventing the monopolization of key technologies. Failure to proactively address these issues during due diligence can result in extended approval timelines, deal modifications, or even blocked transactions—posing significant financial and strategic risks.

Case study: When Microsoft announced its intent to acquire Nuance in April 2021, EU regulators opened a full antitrust probe to assess whether combining Microsoft’s cloud/platform offerings with Nuance’s leadership in conversational AI could stifle competition in transcription software and cloud services markets. The European Commission questioned clients and competitors, ultimately granting unconditional approval

3.5.2 Data Privacy and Compliance

Regulatory compliance is increasingly shaping AI and ML deal-making, as jurisdictions worldwide introduce nuanced rules around algorithmic accountability and data governance. Acquirers now face the challenge of evaluating not only legal adherence but also how well target companies embed responsible AI practices into their development and deployment cycles. This includes scrutinizing bias mitigation measures, documentation standards, and governance frameworks. Failure to address these issues early can result in costly post-deal remediation, delayed product launches, or restrictions on AI applications—making regulatory due diligence a vital part of assessing deal risk and long-term value creation.

Regulation	Key Compliance Requirements	M&A Implications
GDPR (EU)	Lawful basis for processing, data minimization, right to be forgotten, explicit consent for personal data use	Historic non-compliance can result in inherited liabilities; impacts data asset valuation
CCPA/CPRA (U.S.)	Consumer rights to access, delete, and opt out of data sales; clear privacy notices	May require reengineering of data pipelines or deletion of non-compliant data sets
FDA AI/ML Medical Device Guidance	Premarket approval for AI-based medical devices; continuous performance monitoring; transparency of adaptive algorithms	Acquisitions of healthcare AI companies must ensure regulatory approvals are in place; delays in approvals or required validations can postpone integration and revenue generation.
Financial Industry Regulatory Authority (FINRA) / SEC Guidelines	Fair lending, non-discriminatory AI use in credit scoring; audit trails and explainability of algorithms	AI fintech acquisitions must ensure models meet transparency and fairness requirements; regulatory scrutiny can lead to deal conditions or monitoring post-close.

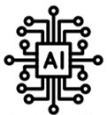
3.5.3 Post/Merger Integration Risks

Post-merger Integration (PMI) has become one of the most critical factors determining the success of AI and ML M&A transactions, as the rapid pace of technological change adds complexity to the merging of different algorithms and data systems.

Challenge	Impact on M&A Success
Integration and Scalability	Merging AI platforms with differing architectures, languages, or infrastructure may lead to delays, cost overruns, or loss of functionality.
Model Degradation or Bias Shifts	Retraining or re-deploying models in a new environment can result in performance drops or unexpected bias due to data distribution shifts.
Increased regulatory exposure	Transferring data across borders or jurisdictions may violate privacy or data localization laws (e.g., GDPR, LGPD, China PIPL).

3.6. Future Outlook for AI and ML M&A

The outlook for M&A in the sector remains highly positive expecting to reach €777 billion 2030, driven by the rising demand for AI and ML capabilities across multiple sectors and the quick development of generative AI and deep machine learning. Key trends expected to shape the market include:



Increased Adoption across sectors – M&A in AI will continue to surge in sectors like healthcare, finance, automotive, driven by the need for AI solutions in diagnostics, trading, atomization and self-driving technologies.



Strategic Acquisitions for Specialized Talent – Companies will keep acquiring AI start-ups to secure top talent and proprietary technology, bypassing long recruitment cycles, accelerating innovation and gaining quick access to deep industry know-how.



Increased regulations – AI and ML transactions are expected to encounter increased regulatory scrutiny, with antitrust authorities closely overseeing consolidations among leading technology firms.

4. Conclusion

The AI and ML sectors are undergoing a transformative shift, driven by rapid advancements in machine learning algorithms, natural language processing, and automation technologies. These developments are reshaping investment strategies, with companies increasingly acquiring AI-driven software, cloud infrastructure, and specialized data platforms.

Venture Capital and PE firms are heavily investing in AI-driven solutions, such as predictive analytics and advanced machine learning models, whereas trade buyers rush to integrate newly developed, cutting-edge advancements in AI and ML into their own technology as well as acquiring deep specialized talent in the field. Nevertheless, success in the coming years will depend not only on acquiring cutting-edge technology but also on robust integration planning, effective talent retention, and navigating the complex regulatory landscape in data privacy laws and AI ethics frameworks. With increased competition, companies will also need to focus on achieving economies of scale and operational synergies through strategic M&A to maximize value. Furthermore, adaptability to evolving AI regulations and proactive risk management will be critical to sustaining growth and innovation.

Looking ahead, with financing costs expected to decline in 2025, M&A activity in AI and ML is projected to continue the trend set in 2024 of increase in deal volume as well as valuation multiples, leading to a wave of strategic consolidations and acquisitions. Companies with robust financial backing will seize this opportunity to strengthen their technological portfolios, securing long-term competitive advantages and positioning themselves as leaders in the evolving AI and ML landscape.

6. The Internet, Software & Technology Team



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