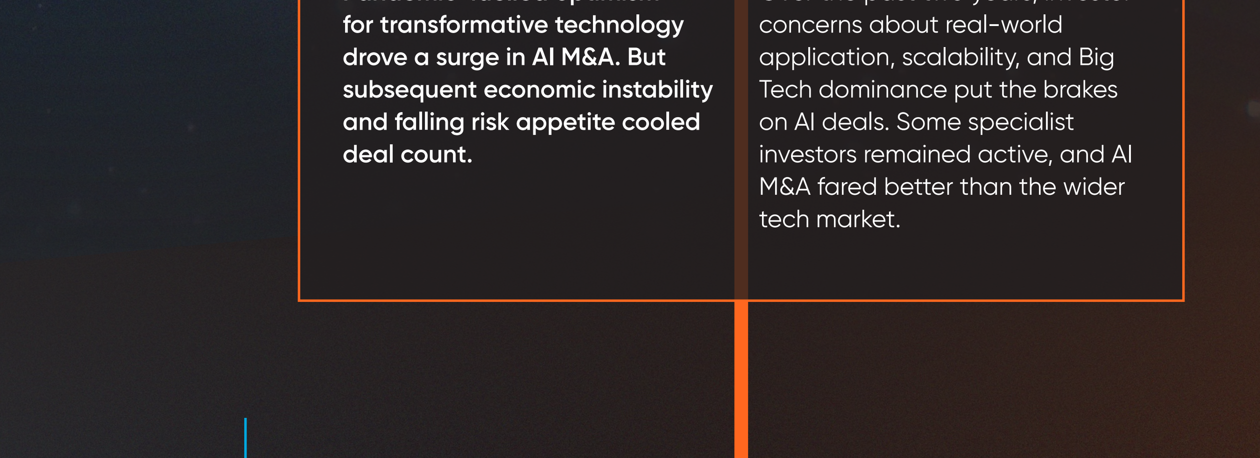
The evolution of AI M&A

Key trends from Germany, the United Kingdom and the United States over the last five years

Initial hype fades

Pandemic-fuelled optimism for transformative technology drove a surge in AI M&A. But subsequent economic instability and falling risk appetite cooled deal count.

Over the past two years, investor concerns about real-world application, scalability, and Big Tech dominance put the brakes on AI deals. Some specialist investors remained active, and AI M&A fared better than the wider tech market.



Deal volume peaked at **518 in 2021.**

Between 2022 and 2023, AI M&A declined on average **16%** year-on-year.

M&A confined to national borders

AI M&A deal activity is largely domestic, with practical and national security challenges arising from cross-border data transfers.

As the AI market grows and consolidates, cross-border deals are poised to climb. But acquirers must navigate regulatory differences between the US and UK to get deals done.

120 transatlantic AI deals completed in the last five years.

Transatlantic deals represent just **7% of all AI M&A.**

62% of all transatlantic late-stage VC deal volume is UK into US.

The only way is up

The explosion of generative AI and a maturing landscape mean strategic and financial investors are ready to unlock the value of AI M&A.

AI-first businesses are scaling faster than their SaaS peers, and more accommodating regulatory frameworks are fostering optimism among investors, acquirers and founders.

Deal activity picked up in 2024, with similar volume to 2023 but significantly higher capital investment.

300 deals closed by the end of Q3 2024

Capital invested in AI M&A has surged from **$9 billion** in 2023 to **$16.1 billion** by Q3 2024

Deal powerhouses line up exits

Corporate and venture capital investment in AI startups has persisted even in turbulent times – playing a pivotal role in scaling next-generation AI and lining up a pipeline of attractive M&A targets.

Between 2019 and 2023, over a third of AI businesses acquired were backed by corporate investment.

35% of M&A deal targets were corporate-backed between 2019 and 2023.

The acquisition of corporate-backed AI ventures grew **31%** from 2019 to 2023.

55% of AI businesses acquired between 2019 and 2023 had VC investment.

Real-world applications accelerate dealmaking

Investors prioritise substance over hype – companies delivering tangible value and real-world applications.

Buyers are drawn to AI solutions with broad appeal, large potential markets and those tailored to specific industry verticals.

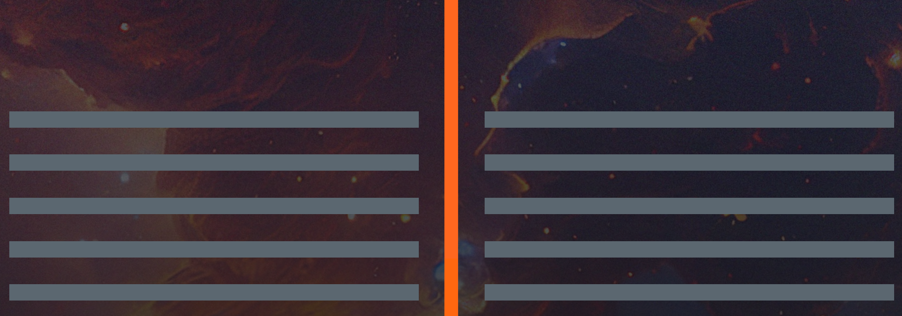
12% of total AI deals in the last five years have been in media and entertainment.

Business productivity and automation software companies represent **36%** of all AI M&A targets over the last five years.

Market maturity piques private equity's interest

Private equity has largely sat on the sidelines of the AI revolution to date. But investors watch with interest.

In 2025, we start to see the possibility of established tech-enabled businesses creating mass market, scalable AI solutions. As the AI market matures, opportunities for PE come into clearer focus.



PE-backed targets are represented in just **5%** of AI M&A deals over the last five years.

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Contact us to find out more:

www.taylorwessing.com | info@taylorwessing.com