WINDSOR DRAKE

WINDSOR DRAKE RESEARCH · 2026

The AI M&A Index

Windsor Drake is a sell-side M&A advisory firm focused on software, financial technology, artificial intelligence, cybersecurity, and other technology-enabled businesses in the lower middle market. The firm publishes research on transaction activity, deal structure, and valuation for founders, boards, and investors.

This report is provided for general information only. It does not constitute investment, legal, tax, or accounting advice, and it is not a recommendation to pursue or refrain from any transaction. The deal-activity and valuation figures in this report are drawn from published AI M&A and deal-data sources and from Windsor Drake analysis as of June 2026. AI deal data is fast-moving and defined inconsistently across sources, by what counts as an AI deal, how value is disclosed, and how talent-led transactions are recorded, and the figures here should be read as directional measures of a clear trend rather than reconciled totals. Many AI transactions are structured as talent-and-licensing deals that fall outside conventional acquisition data, a point this report returns to.

About this report

This is Windsor Drake's index of mergers and acquisitions in artificial intelligence: the volume and value of activity, the multiples paid, the defining deals, the buyers, and the structures, including the talent-led deals that conventional data misses. It tracks where AI dealmaking stands and where it is heading, and complements the firm's AI Acquihire Report, which examines the talent-led structure in depth.

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OVERVIEW

AI dealmaking set records, and broke the data

Artificial intelligence was the most active and most richly valued corner of the M&A market in 2025. Deal volume and valuations both hit records, but a large share of the activity took a form conventional acquisition data does not capture, which means the official numbers, striking as they are, understate what actually happened.

The recorded activity alone is a record. AI M&A volume rose to 589 transactions in 2025, up about fifty-seven percent from 375 the prior year, and the second quarter set a record of 177 deals, roughly double the quarterly average since 2020.[1] By value, 33 major AI and data acquisitions totaled at least $157 billion in disclosed consideration, a record for consolidation in the space.[2] And the multiples were the highest in the market, with AI assets trading near twenty-four times revenue at the median, far above the roughly five times of public software.[3] By every conventional measure, AI was the hottest deal market of the year.

But the conventional measures miss a great deal, because so much AI consolidation is structured as talent-and-licensing deals, the reverse acquihires the firm's AI Acquihire Report examines, in which a buyer takes a startup's team and a license without recording an acquisition. Those transactions, worth tens of billions, fall outside acquisition data, which means the true scale of AI consolidation is larger than even the record figures show. This index tracks both the recorded activity and the structures that escape it, to give a complete picture of where AI dealmaking actually stands.

By every conventional measure AI was the hottest deal market of the year, and the conventional measures still understate it, because so much consolidation is structured to escape the data.

The report indexes AI dealmaking across activity, multiples, deals, buyers, structures, and segments, and closes with what it means for founders and where it is heading. The throughline is that AI is simultaneously the most active, most valuable, and most under-measured part of the M&A market, and that understanding it requires reading both the record numbers and the deals those numbers miss.

THE MARKET IN BRIEF

The AI deal market in numbers

589 AI M&A transactions in 2025, up about 57% from 375 the prior year.[1]	**177** AI deals in Q2 2025, a quarterly record and roughly double the average since 2020.[1]	**$157B+** Disclosed value of 33 major AI and data acquisitions in 2025, a record.[2]
~24x Median AI revenue multiple, the highest of any vertical and far above software's ~5x.[3]	**72%** Share of AI-related deals that were software, over recent years.[2]	**~1/4** Of $5B+ megadeals carried an AI theme, the leading catalyst for large deals.[2]

Windsor Drake view: the record figures are real, and incomplete. The talent-led deals that conventional data misses add tens of billions more, making AI the most consolidated, and most under-measured, market in technology.

01 · ACTIVITY

The activity index

AI deal activity did not just grow in 2025; it accelerated to a pace without precedent, with quarterly volumes roughly double the historical norm and a year-over-year jump that outran the broader M&A recovery.

The trajectory is steep. AI M&A volume rose to 589 transactions in 2025 from 375 in 2024, a roughly fifty-seven percent increase, and the pace built through the year, with the second quarter alone recording 177 deals, about twice the quarterly average since 2020.[1] This is faster growth than the broad technology rebound, and it reflects AI moving from an emerging theme to the central organizing force of technology dealmaking. The activity is not a spike but an acceleration, with each recent quarter setting a higher baseline than the last.

589

AI M&A transactions in 2025, up ~57% year over year, with Q2 setting a quarterly record.

What the acceleration reflects

The surge reflects three converging drivers. Strategic urgency is the first: incumbents across software, cloud, and security are acquiring AI capability to avoid being left behind, and the fear of missing the platform shift drives a willingness to transact quickly and often. Capital is the second: abundant funding, both corporate balance sheets and private capital, is available for AI deals at a scale few other themes command. The talent race is the third: with capable AI researchers scarce and valuable, acquiring teams has become a primary motive, generating a high volume of smaller, talent-focused deals alongside the megadeals.[1,2] Together these drivers produce both the record count and the record value.

> *This is not a spike but an acceleration. Each recent quarter has set a higher baseline than the last, as AI moves from a theme to the organizing force of tech dealmaking.*

For a founder, the activity index signals a market of intense, sustained demand for AI capability. The sheer volume and pace mean that AI companies, and AI-relevant assets, face an unusually deep and motivated buyer pool, transacting more frequently than in any prior period. That demand is the backdrop for everything that follows in this index, the multiples, the deals, the buyers, and the structures, and it is the most active market a technology founder could be selling into.

THE TREND

The cadence of AI dealmaking

The pace of AI deals, not just their number, tells the story. Quarterly volumes have stepped up to roughly double the historical norm, and the trajectory points up, marking a structural shift rather than a cyclical bump.

The quarterly record makes the acceleration concrete. The second quarter of 2025 recorded about 177 AI deals, roughly double the quarterly average since 2020, and the year built on a first half already up sharply on the prior year.[1] This is not the pattern of a one-time spike that reverts; it is a sustained step-change, with each recent quarter setting a higher baseline. The cadence reflects AI moving from a niche to the central theme of technology dealmaking, drawing a steadily rising flow of transactions as more buyers compete for more capability and talent.

EXHIBIT 1

The step-change in AI deal cadence

MEASURE	LEVEL	CONTEXT
2024 full-year deals	~375	The prior baseline
2025 full-year deals	~589	+57% year over year
Q2 2025 deals	~177	Quarterly record; ~2x the post-2020 average
Trajectory	Rising	Each quarter a higher baseline

Source: PYMNTS and Crunchbase AI M&A data, 2024–2025.[1]

The cadence matters to a founder because it signals durability of demand. A market accelerating quarter on quarter is one in which buyers are not waiting for perfect conditions but transacting persistently, which means an AI founder faces a deep, motivated, and reliable buyer pool rather than a fleeting window. The step-change in cadence is the clearest evidence that AI dealmaking is a structural feature of the market, not a passing enthusiasm, and that the demand an AI founder encounters today is likely to persist.

> *This is a step-change, not a spike. Each recent quarter sets a higher baseline, marking AI dealmaking as a structural feature of the market.*

The rising cadence also feeds the data gap. As more AI deals are done, more are structured as talent-and-licensing transactions that escape acquisition tallies, so the recorded volume, record as it is, increasingly understates the true pace of consolidation. The cadence index, like the rest of this report, should be read as a floor on the activity rather than a complete count, with the talent-led deals adding further volume that the official numbers do not capture.

The multiples index

AI commands the highest multiples in the market, by a wide margin, and they are set by a different logic than other software. Understanding what drives AI valuations is essential to reading the deals.

AI assets trade at ten to fifty times revenue, with a median near twenty-four, against roughly five times for public software, the widest premium of any vertical.[3] The reference points are striking: leading AI companies have been valued at multiples that current revenue cannot remotely justify on any historical basis, with major financings implying upward of thirty times revenue and the largest data-and-AI platforms carrying close to thirty times ARR.[3] These are not multiples paid for current performance; they are paid for an expected future, and that distinction is the key to the entire AI valuation picture.

EXHIBIT 2

AI multiples by cohort

COHORT	REVENUE MULTIPLE	PRIMARY DRIVER
AI overall (median)	~24x	Defensibility over growth
Range across the market	~10–50x	Stage, moat, narrative
Frontier / leaders	~30x+	Strategic position, scarcity
For reference: public software	~5x	Current growth and margin

Source: Aventis Advisors, Value Add VC, and Windsor Drake valuation research.[3] Ranges are wide and move quickly.

Defensibility, not growth, sets the price

What distinguishes AI valuation is the driver. In conventional software, growth and margin, the Rule of 40 the firm's valuation report examines, set the multiple. In AI, that relationship has broken down: the multiple is set by defensibility, proprietary data, a model advantage, a position in an emerging category, and by the narrative about how large and durable the opportunity will prove.[3] AI companies frequently command their multiples while unprofitable and even while failing conventional quality tests, because the market is underwriting a future moat rather than present economics. This makes AI multiples both extraordinary and fragile, resting on expectations that may or may not be realized.

AI multiples are not paid for current performance. They are paid for an expected future, which makes them both extraordinary and fragile.

For a founder, the multiples index carries a double message. AI valuations are the richest in the market, which is a powerful opportunity for genuine AI companies and AI-relevant assets. But they rest on narrative and expected defensibility rather than current performance, which makes them volatile and exposed to a re-rating if the expected future disappoints. A founder selling an AI company is selling into the highest multiples available and the most fragile, and timing into that demand, while it is strong, matters more in AI than anywhere else.

03 · THE RECORD

The defining deals

The year's AI deals spanned three forms: outright acquisitions, talent-and-licensing deals, and infrastructure purchases. Together they map where the value and the strategic energy concentrated.

EXHIBIT 3

Defining AI transactions, 2024–2025

TARGET	ACQUIRER	VALUE	FORM / THEME
Wiz	Google	$32B	Acquisition; AI / cloud security
Scale AI	Meta	$14.3B	49% stake + founder hire; data
Character.AI	Google	$2.7B	Talent-and-license; models
Windsurf	Google	$2.4B	Talent-and-license; coding AI
Inflection AI	Microsoft	$650M	Talent-and-license; models
Protect AI	Palo Alto Networks	$700M	Acquisition; AI security
io	OpenAI	$6.5B	Acquisition; AI hardware/design

Source: Windsor Drake, from company disclosures and press reporting, 2024–2025.[2,4] Talent-led deals are recorded as licenses and hires, not acquisitions; see the firm's AI Acquihire Report.

The deal record shows AI consolidation taking three distinct forms. The outright acquisitions, Google's $32 billion purchase of Wiz, OpenAI's $6.5 billion acquisition of io, Palo Alto's of Protect AI, are conventional and recorded as such. The talent-and-licensing deals, Character.AI, Windsurf, Inflection, and Meta's stake-and-hire in Scale AI, transfer teams and technology without recording an acquisition, and are the form the firm's AI Acquihire Report examines in depth.[4] The third form, infrastructure, the compute, data, and power AI demands, drew its own large deals as buyers raced to own the build-out's foundations. The defining deals are a map of AI's strategic priorities: capability, talent, and the infrastructure beneath both.

AI consolidation took three forms: outright acquisitions, talent-and-licensing deals that escape the data, and infrastructure purchases. The middle form is the one the numbers miss.

The prominence of the talent-led form is the most important feature of the record, because it is the part conventional data misses. Several of the largest AI transactions of the period, worth tens of billions in aggregate, were structured as licenses and hires rather than acquisitions, and so do not appear in acquisition tallies at all.[4] Any reading of the AI deal market that counts only recorded acquisitions therefore understates the true scale of consolidation, sometimes substantially. The next sections examine the buyers behind these deals and the structures that keep so much of the activity off the books.

THE BACKDROP

The private-market backdrop

AI M&A multiples do not form in isolation. They sit atop a venture financing market where AI valuations have run to historic extremes, and that private backdrop both fuels and complicates the deal market.

The private market set the tone. AI startup financing volume and valuations both hit records, with startup valuations rising on the order of several-fold in a single year as capital poured into the category at a pace and price without recent precedent.[3] Those private valuations, leading AI companies financed at tens of billions on modest revenue, established the reference points against which acquisition multiples are judged, and they pulled M&A pricing up with them. The twenty-four-times median and the thirty-times-plus frontier multiples in the deal market are downstream of a venture market that priced AI even more aggressively.

The financing-to-deal pipeline

The private backdrop feeds the deal market in two ways. It creates the companies, a wave of well-funded AI startups that become acquisition targets, and it sets their price expectations, anchored to the rich valuations of their last rounds. A buyer acquiring an AI company is often negotiating against a private valuation struck in a hot financing market, which lifts the floor on what the company will accept and contributes to the extraordinary multiples the deal market records. The financing market and the deal market are linked, and the heat in one carries into the other.

> *The deal multiples are downstream of a venture market that priced AI even more aggressively. The financing market and the deal market run hot together.*

The fragility the backdrop introduces

The linkage is also a source of fragility. Because AI deal multiples rest on private valuations that themselves rest on expectations of a large, durable opportunity, a cooling in the venture market would flow into the deal market, compressing the multiples acquirers will pay. The same connection that lifted AI deal pricing in the boom would transmit a correction, and the richest part of the deal market is therefore tied to the most expectations-driven part of the financing market. A founder reading AI deal multiples should watch the private-financing backdrop, because the two move together, up and down.

The private-market backdrop completes the valuation picture. AI deal multiples are high because the venture market that creates and prices AI companies is hotter still, and they are fragile for the same reason. A founder navigating an AI exit is operating in a market whose pricing is set as much by the financing environment as by the deal environment, and understanding that linkage, its lift and its risk, is part of reading the AI deal market correctly.

04 · THE BUYERS

The buyers

AI dealmaking is dominated by a small set of well-capitalized buyers, the hyperscalers and a handful of strategic and AI-native acquirers, competing intensely for capability and talent. Knowing who is buying explains both the volume and the prices.

EXHIBIT 4

The active buyers in AI M&A

BUYER TYPE	EXAMPLES	WHAT THEY BUY
Hyperscalers	Google, Microsoft, Meta, Amazon	Models, talent, infrastructure; the largest deals
Chip / infrastructure	Nvidia and peers	The AI stack, from tooling to infrastructure
Strategic platforms	Salesforce, ServiceNow, others	Applied and enterprise AI capability
AI-native acquirers	OpenAI, Databricks, and peers	Capability, talent, and adjacent technology

Source: Windsor Drake, from the AI transaction record, 2024–2025.[2,4]

The hyperscalers are the apex buyers, doing the largest deals and paying the highest prices, often through the talent-led structures that let them acquire teams and technology at scale while managing antitrust exposure.[4] Chip and infrastructure companies, led by Nvidia, are acquisitive across the AI stack, securing the tooling and infrastructure that complement their core. Strategic platforms acquire applied AI to embed in their products, and a new class of well-funded AI-native companies has itself become acquisitive, buying capability, talent, and adjacent technology. The common thread is deep capital and strategic urgency, the combination that produces both the record volume and the record multiples.

A small set of deep-pocketed buyers, hyperscalers above all, competes for AI capability and talent. That competition produces both the record volume and the record prices.

For a founder, the concentration of buyers cuts two ways. The apex buyers are extraordinarily motivated and able to pay, which is a powerful opportunity for a company with genuine AI capability or talent they want. But the buyer pool is narrow and selective, concentrated in a handful of names doing a small number of very large deals alongside many talent-focused ones, which means the demand is intense but specific. A founder should understand which of these buyers might want their particular capability or team, because in AI, more than elsewhere, the realistic buyer set is small and the motivation is high.

The structures, and the data gap

The defining feature of AI dealmaking is how much of it is structured to escape the data. The talent-and-licensing deal, the reverse acquihire, is now a primary form of AI consolidation, and it means the recorded numbers understate the truth.

The structure is consistent. Rather than acquire a company, a large buyer signs a non-exclusive license to its technology, hires its founders and core team, and often adds a payment to settle claims, leaving the startup standing as a going concern.[4] The economic substance is an acquisition; the legal form is not, and because no company is acquired, the transaction does not appear in acquisition data. Several of the largest AI transactions of the period, Inflection, Character.AI, Windsurf, and Meta's stake-and-hire in Scale AI, took this form, and together they represent tens of billions of dollars of consolidation that conventional tallies miss.[4]

Why the gap matters

The data gap is not a technicality; it changes the picture of the market. Anyone measuring AI consolidation from recorded acquisitions sees a smaller, less concentrated market than actually exists, because the largest talent-led deals are invisible to that measure. The true scale of AI consolidation, the real transfer of teams, technology, and competitive position into a few large hands, is materially greater than even the record acquisition figures suggest. This index, by tracking both the recorded deals and the talent-led structures, aims to correct that understatement, and the firm's AI Acquihire Report examines the structure and its consequences in full.

> *Several of the largest AI deals were not acquisitions at all. The real scale of AI consolidation is larger than even the record figures show.*

Why buyers use the structure

Buyers adopt the talent-led form for three reasons the AI Acquihire Report details: the value is often the team rather than the company, so owning the entity is unnecessary; avoiding a notified acquisition sidesteps antitrust review and delay; and the structure closes faster than a conventional deal, which matters when competitors are bidding for the same researchers.[4] These advantages have made the structure the default for the largest AI talent deals, and they are why so much of AI consolidation now happens off the acquisition books. For founders, the prevalence of the structure means that an AI exit may not look like a sale at all, with consequences for who gets paid that the Acquihire Report makes clear.

The structures and the data gap are the most distinctive features of the AI deal market, and the reason it cannot be read like any other. A complete index of AI dealmaking must count not just the acquisitions but the licenses and hires that carry the real consolidation, and a founder navigating an AI exit must understand that the form of the deal, as much as its price, will determine the outcome. The next section breaks the market into its segments, and the sections after turn to what all of this means for founders and where it is heading.

06 · THE BREAKDOWN

By segment

AI is not one market but several, and dealmaking varies across them. The segments differ in activity, in multiples, and in the form deals take, and a founder should know which one their company occupies.

EXHIBIT 5

AI dealmaking by segment

SEGMENT	ACTIVITY	DEFINING FEATURE
Foundation models	High value, few deals	Talent-led; the largest, most contested transactions
AI infrastructure / compute	High and rising	The build-out's plumbing; large strategic deals
Applied / vertical AI	High volume	AI embedded in workflows; many smaller deals
AI security	Emerging, fast-growing	Securing AI systems; the open frontier
Data & tooling	High	The inputs and infrastructure of AI development

Source: Windsor Drake, from the AI transaction record, 2024–2025.[2,4]

From models to applications

The segments form a stack. At the top, foundation models draw the largest and most contested deals, mostly talent-led, as a few giants compete for the teams building frontier capability. Beneath, AI infrastructure and compute, the chips, data centers, and power the models require, draw large strategic deals as buyers race to own the build-out. Applied and vertical AI, companies embedding AI into specific workflows, generate the highest deal volume, many smaller acquisitions as incumbents and AI-natives buy capability. And data and tooling, the inputs and infrastructure of AI development, draw steady activity as buyers secure the raw materials of the field.[2]

AI security, the open frontier

The fastest-emerging segment is AI security, securing AI systems against new threats, where the platforms have begun acquiring early, as the firm's cybersecurity report describes. This segment is early in its consolidation, which makes it the open frontier for founders: the demand is building, the buyers are circling, and the category-defining deals are still ahead. A founder building in AI security sits closest to an opening window, while one in the more settled segments, foundation models in particular, faces a market dominated by a few giants doing talent-led deals.

> *AI is a stack, from foundation models to applications, and the dealmaking differs at every layer. AI security is the open frontier; foundation models are the giants' contest.*

The segment breakdown is the founder's map of the AI deal market. A company's segment determines the likely buyers, the typical deal form, the multiples, and how contested the market is, and these differ enough across the stack that a single view of AI dealmaking misleads. A founder should locate their company precisely, foundation model, infrastructure, applied, security, or data, and read the demand, the multiples, and the structures specific to that segment, because the AI deal market is really several markets with very different dynamics.

07 · APPLICATION

What it means for founders

The AI deal market offers founders the richest demand and the highest multiples in technology, alongside structures and fragilities found nowhere else. Navigating it requires understanding both the opportunity and the catch.

Recognize the depth of the demand

AI founders are selling into the most active, most richly valued market in technology, with record deal volume, the highest multiples, and a set of deep-pocketed buyers competing for capability and talent. A founder with genuine AI capability, relevant data or infrastructure, or a sought-after team holds an asset in extraordinary demand, and should recognize the strength of that position.

Understand the form the deal may take

An AI exit may not look like a sale. The talent-led structure means a founder may be offered a license and a hire rather than an acquisition, with very different consequences for who gets paid and how, examined in the firm's AI Acquihire Report. A founder should understand which form an offer takes, and what it means for investors, employees, and the founder personally, before celebrating a headline.

Price the fragility of the multiples

AI multiples are the highest in the market and the most fragile, resting on narrative and expected defensibility rather than current performance. A founder should recognize that the premium their company commands today depends on a market mood that can re-rate, and should weigh the value of acting into strong demand now against the risk of waiting for a market that may cool. In AI, timing into demand matters more than anywhere else.

Know your segment

The AI market is several markets. A founder should locate their company in the stack, foundation model, infrastructure, applied, security, or data, and read the demand, buyers, multiples, and deal forms specific to that segment. A founder in AI security faces an opening frontier; one in applied AI a high-volume market; one in foundation models a giants' contest. The segment shapes the strategy.

Build what the buyers actually want

Across the market, AI buyers pay for capability, talent, defensibility, and strategic position. A founder who builds genuine, defensible capability and a team buyers covet holds the assets the market rewards, while one relying on narrative alone is most exposed to a re-rating. The durable AI exit, like every other, rests on real substance beneath the premium.

The unifying message is that AI offers founders an exceptional but unusual market: the deepest demand and highest multiples in technology, delivered through structures and resting on premiums unlike anywhere else. A founder who understands the demand, the forms, the fragility, and the segments can capture an extraordinary opportunity; one who reads only the headline multiples, without the structures and the fragility beneath them, may misjudge both what they will be offered and what it is worth. The AI market rewards the founder who reads it whole.

PITFALLS

Common misreadings of the AI deal market

The AI deal market is the most misread in technology, because it behaves unlike any other and because so much of it is hidden. A few recurring errors trip up founders and observers alike.

Reading the recorded numbers as complete

The most consequential error is taking acquisition data at face value. Because so much AI consolidation is structured as talent-and-licensing deals that escape the data, the recorded figures, record as they are, understate the true scale. An observer who counts only acquisitions concludes the market is smaller and less concentrated than it is, and a founder who benchmarks against that incomplete picture misjudges the demand and the precedents.

Treating the multiples as durable

AI multiples are the highest in the market, and the most likely to move, because they rest on narrative and expected defensibility rather than current performance. A founder who treats today's twenty-four-times median as a stable benchmark, or assumes it will hold until they are ready to sell, mistakes a fragile, expectations-driven premium for a durable one. The multiples are real now and may not be later, which makes timing decisive.

Assuming an AI exit is a normal sale

Founders often assume selling an AI company works like selling any other, when the dominant structure, the talent-led deal, distributes proceeds very differently, often paying founders and key staff through employment while investors and other employees fare worse, as the firm's AI Acquihire Report details. A founder who expects a conventional acquisition and is offered a license-and-hire may be unprepared for what it means for them and their stakeholders.

Conflating the segments

The AI market is several markets, and treating it as one misleads. A founder in applied AI who benchmarks against foundation-model multiples, or one in AI security who assumes the dynamics of the model layer, reads the wrong market. Demand, multiples, buyers, and deal forms differ sharply across the stack, and a founder must read the segment they actually occupy.

The records understate the market, the multiples may not last, the deal may not be a sale, and the segments differ. The AI market is the most misread in technology.

The misreadings share a root: applying the assumptions of normal M&A to a market that violates them. The AI deal market is larger than it looks, priced more richly and more fragilely than any other, structured in ways that escape the data and redistribute proceeds, and split into segments with very different dynamics. A founder who carries over the intuitions of conventional dealmaking will misjudge it; one who reads it on its own terms, with the help of this index and the firm's AI Acquihire Report, can navigate the most rewarding and most treacherous market in technology with clear eyes.

Outlook

AI dealmaking is likely to remain the most active and most watched part of the M&A market, with activity rising, the frontier shifting toward security and infrastructure, and the central question being the durability of the premium.

Activity keeps climbing

The forces driving AI dealmaking, strategic urgency, abundant capital, and the talent race, are intensifying, and AI is cited by dealmakers as the subsector presenting the best opportunities for the year ahead.[2] Windsor Drake expects AI deal volume to keep climbing, with the talent-led structures continuing to carry a large share of the consolidation off the recorded books. The market is likely to stay the most active in technology, and the gap between recorded and true consolidation is likely to persist.

The frontier shifts to security and infrastructure

As foundation models consolidate into a few hands, the most active frontiers are shifting toward AI security, securing the systems being deployed, and AI infrastructure, the compute, data, and power the build-out demands.[2] These segments are earlier in their consolidation and offer the most open opportunities for founders, while the foundation-model layer settles into a giants' contest conducted largely through talent-led deals. A founder reading where the next wave of deals will concentrate should look to security, infrastructure, and applied AI more than to the model layer itself.

Regulation enters the picture

A further variable is regulation, which is turning its attention to AI dealmaking even as the general M&A posture eased. Scrutiny of AI and data deals has broadened beyond market share to questions of innovation control and ecosystem dominance, and the talent-led structures that carry so much AI consolidation are themselves under examination, as the firm's regulatory report describes.[2] A founder in AI should expect the regulatory dimension to grow, both for outright acquisitions by dominant platforms and for the license-and-hire structures that have so far escaped review. The regulatory frontier in AI is being drawn in real time, and it is one of the variables most likely to reshape how, and to whom, AI companies can sell.

The premium is the open question

The defining uncertainty is the durability of the AI premium. The extraordinary multiples rest on expectations of future defensibility and opportunity, and whether those expectations are realized will determine whether the premium holds or re-rates.[3] A correction in AI valuations would ripple through the whole market, given how much of recent activity and value AI has driven. Windsor Drake takes no position on whether the premium is justified; the point for a founder is that it is the market's central question, and that an AI company carrying a narrative premium holds the most valuable and most fragile position in technology.

> *Activity keeps climbing and the frontier shifts to security and infrastructure, but the open question is whether the AI premium, the richest and most fragile in technology, holds.*

The conclusion mirrors the index. AI is the most active, most valuable, and most under-measured market in technology M&A, and it is likely to remain so, with the action shifting up and down the stack and the durability of the premium the question that hangs over all of it. A founder in AI sits in an exceptional market, deep in demand, rich in multiples, distinctive in structure, and should engage it with a clear understanding of both its extraordinary opportunity and its particular risks. The AI deal market rewards the founder who reads it completely, the records, the structures the records miss, and the fragile premium beneath them all.

FOR INVESTORS AND ANALYSTS

A note on reading the index

This index is written for founders, but it is also a tool for the investors, analysts, and journalists who track AI dealmaking, and for them the data gap is the most important caveat to carry.

Anyone sizing the AI deal market from recorded acquisitions is measuring an incomplete market. The talent-and-licensing structures that carry a large share of AI consolidation, worth tens of billions in aggregate, do not appear in acquisition tallies, so headline figures for AI M&A understate the true scale of consolidation, sometimes substantially. An analyst comparing AI deal volume or value across years, or against other sectors, should account for the share of activity that takes the talent-led form, and should treat the recorded numbers as a floor rather than a complete count. The more AI consolidation shifts to talent-led structures, the wider the gap between the recorded and the real grows.

The same caution applies to the multiples. The headline AI multiples are drawn heavily from disclosed deals and private financings, which skew toward the most prominent and most richly valued companies, and they sit atop a venture market whose pricing is itself extreme. An observer reading AI multiples should understand that they reflect a particular, expectations-driven moment and a selective sample, and that they are among the most likely figures in the market to re-rate. For investors and analysts, as for founders, the AI deal market rewards reading it whole, the records, the structures the records miss, and the fragile premium beneath, rather than taking any single headline number at face value.

Anyone sizing AI M&A from recorded acquisitions is measuring an incomplete market. Treat the headline numbers as a floor, not a count.

CONCLUSION

The hottest market, and the hardest to read

AI is at once the most active corner of the M&A market, the most richly valued, and the most under-measured. No part of technology dealmaking offers more opportunity, or demands more careful reading.

The records are real: deal volume up sharply to new highs, a record sum of disclosed value, and the highest multiples in the market by a wide margin. But the records are incomplete, because so much AI consolidation takes the form of talent-and-licensing deals that escape acquisition data entirely, meaning the true scale of consolidation is larger than even the record figures show. And the multiples, extraordinary as they are, rest on narrative and expected defensibility rather than current performance, which makes them the richest and the most fragile in technology.

For a founder, AI is an exceptional but unusual market to sell into. The demand is the deepest in technology, the multiples the highest, and the buyers the most motivated, but the deal may not look like a sale, the premium may not last, and the dynamics differ sharply across the segments of the stack. The founder who reads the market whole, the recorded deals, the talent-led structures the records miss, the segment-specific dynamics, and the fragility of the premium, can capture the most valuable opportunity in technology M&A. The one who reads only the headline multiples may misjudge both what they will be offered and what it is worth. AI is the hottest market in dealmaking, and the hardest to read, and reading it correctly is the founder's edge.

AI is the hottest market in dealmaking and the hardest to read. The records understate it, the multiples are fragile, and the deal may not look like a sale.

Into 2026: the index recalibrates

The first months of 2026 did not slow the AI deal machine; they accelerated it, and in doing so widened the very gap this index was built to expose, the distance between the AI consolidation that shows up in the data and the far larger reallocation that does not.

The visible numbers are emphatic. Roughly 266 AI acquisitions closed in the first quarter of 2026, about ninety percent more than a year earlier, after a 2025 in which quarterly AI deal counts had already run to roughly double their post-2020 average. Private AI companies raised more than $226 billion in the same quarter, more than in all of the prior year, and the AI-native share of strategic technology deal value above five hundred million dollars approached half, up from roughly a quarter in 2024. The concentration of capital and conviction in artificial intelligence is not a 2025 phenomenon that is fading; it is a structural reordering that intensified into the new year.

266 AI acquisitions closed in a single quarter, up ninety percent. The visible index is breaking records, and the invisible one beneath it is growing faster still.

The structures the index cannot see

The more consequential 2026 development is the formalization of the deal types that escape the count. What this report calls the missing deals, talent-led acquihires and the licensing of models and teams rather than the purchase of companies, have hardened in 2026 into recognized categories of their own. Practitioners now treat non-exclusive intellectual-property licensing as a distinct route to a successful exit, one that hands a buyer immediate access to differentiated capability with no change of control to report, and the acquihire as a standard alternative when the value sits in the team rather than the entity. Each is, in economic substance, an acquisition; none reliably registers as one. The index of recorded AI M&A therefore understates the true pace of consolidation by a widening margin, precisely because the most strategically important transfers are increasingly built to stay off the ledger.

What it means for founders

For an AI founder, the recalibration cuts two ways. The headline market has never been more active or more richly priced, with template deals such as Thomson Reuters' purchase of Casetext and ServiceNow's of Moveworks setting reference points that others now chase, and premiums paid for the sheer difficulty of assembling comparable domain-specific capability from scratch. But the proliferation of licenses, acquihires, and structured hires means the path to an outcome is no longer a single road. A founder should read the deal type, not only the price, because the structure increasingly decides who is actually paid, how much, and on what timeline, the distinction the rest of this report is built to make legible. The index is recalibrating; a founder's frame should recalibrate with it.

Sources for this section: CB Insights Q1 2026 AI data; FE International, “AI M&A Trends 2026”; Deloitte 2026 M&A analysis (non-exclusive IP licensing); CNBC, “The global M&A boom is rolling into 2026”; company disclosures (Thomson Reuters/Casetext, ServiceNow/Moveworks).

Methodology and sources

This index synthesizes published AI M&A and deal-data sources with Windsor Drake analysis, covering 2024 through mid-2026. AI deal data is fast-moving and defined inconsistently across sources, by what qualifies as an AI deal, how value is disclosed, and how talent-led transactions are treated, and the figures here should be read as directional measures of a clear trend rather than reconciled totals; different sources will give somewhat different numbers. A central theme of this report is that conventional acquisition data understates AI consolidation, because much of it is structured as licenses and hires; the report draws on the firm's AI Acquihire Report for the analysis of those structures.

Multiples are EV/revenue or revenue-based unless stated otherwise and describe central tendencies across wide and fast-moving ranges; individual companies vary substantially. The segment breakdown and the assessment of where the frontier is shifting are Windsor Drake analytical judgments synthesizing the data, not forecasts, and the outlook is subject to the risks noted, above all a re-rating of the AI premium. Nothing in this report is investment, legal, tax, or accounting advice.

Endnotes and sources

1. AI deal volume and pace (589 transactions in 2025 versus 375 in 2024, ~57% increase; Q2 2025 record of 177 deals, ~2x the average since 2020): PYMNTS, "AI Startup M&A Deal Volume and Valuation Hit Records"; Crunchbase, "The New Shape of AI Acquisitions."
2. AI deal value and themes ($157B+ across 33 major AI/data acquisitions; ~72% of AI deals were software; ~a quarter of $5B+ megadeals carried an AI theme; AI as the top 2026 subsector): AI Data Insider, "2025's Top 16 Acquisitions in AI & Data"; PwC, "AI and Private Equity Fuel Surge in M&A"; Cooley, "2025 Tech M&A Year in Review."
3. AI multiples (~24x median; ~10–50x range; frontier 30x+; reference public software ~5x; defensibility over growth): Aventis Advisors, "AI Valuation Multiples"; Value Add VC; Windsor Drake, "The Rule of 40 Premium."
4. Talent-led structures and the data gap (Inflection, Character.AI, Windsurf, Scale AI; why the structure escapes acquisition data): Windsor Drake, "The AI Acquihire Report," and the company statements and reporting cited therein.

ABOUT

About Windsor Drake Research

Windsor Drake is a sell-side M&A advisory firm for founders and boards of software, financial technology, artificial intelligence, and cybersecurity companies in the lower middle market.

The firm advises technology founders through the full arc of a sale, from positioning the company and building the buyer universe to running a competitive process and negotiating terms. Its research program exists to make the dynamics that decide outcomes legible to the people on the selling side, who face these transactions once or twice in a career against buyers who do them constantly.

This report is part of the Windsor Drake Research series, a set of independent studies on valuation, deal structure, process, capital markets, and consolidation across the firm's sectors. Companion titles examine the talent-led acquisition of AI companies, the state of software M&A, the most active acquirers of software companies, the strategic-versus-sponsor choice, the structure of private deals, what founders keep at exit, why deals die, the sale timeline, the regulatory clock, the capital overhang, exit readiness, the consolidation of cybersecurity, the roll-up of vertical software, and the cross-sector valuation premium captured by the Rule of 40. The series is intended to be read by founders, boards, investors, and the journalists and analysts who cover these markets.

Contact

Windsor Drake maintains offices in Toronto and New York. Founders considering a transaction, and members of the press citing this research, can reach the firm through windsordrake.com.

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