WINDSOR DRAKE

AI M&A Activity: Q2 2026

MAY 2026

Windsor Drake · Market Intelligence

Executive Summary: The State of AI M&A

WINDSOR DRAKE

AI Becomes the Deal Engine

AI is now the single most important catalyst for global dealmaking.

- Roughly **half of all 2025 technology deals carried an AI component**, up from about one in four a year earlier (PwC).
- North American AI M&A rose to **589 transactions in 2025**, up 57% on 375 in 2024 (PwC).
- CB Insights recorded **266 AI M&A deals in Q1 2026**, up 90% year on year.
- Global M&A reached a record $4.9T in 2025, and AI sits at the centre of it.

The Return of the Megadeal

Scale transactions are again defining the top of the market.

- **Google / Wiz** ($32B) closed in Q1 2026, Alphabet's largest deal ever.
- There were 122 transactions above $5B in 2025, the most in a decade (PitchBook).
- About one quarter of all $5B-plus megadeals now carry an AI theme (PwC).
- Infrastructure, chips and security anchor the largest AI deals.

A Barbell Market

Activity concentrates at the two ends, hollowing the middle.

- High-volume capability tuck-ins and acqui-hires anchor one end by count.
- A thin band of infrastructure and platform megadeals anchors the other by value.
- McKinsey describes AI M&A entering an industrial phase of scale consolidation.
- Mid-sized assets ($100M to $1B) face the thinnest buyer pool.

Strategic Buyers Dominate

Hyperscalers and enterprise incumbents drive the AI exit market.

- Strategic acquirers accounted for **$2.73T, about 60% of 2025 M&A value** (PitchBook).
- Big tech is the most active AI dealmaker, led by Google (CB Insights).
- Private equity competes in parallel through take-privates and infrastructure.
- The strategic sale is now the default exit path for venture-backed AI.

Sources: CB Insights State of AI; PwC; McKinsey & Company; Windsor Drake analysis. See appendix.

Executive Summary: What Is Driving Dealmaking

WINDSOR DRAKE

Capability Acquisition

Buyers are acquiring models, talent and proven AI, not just customers.

- Big tech acquires AI targets at an average 4.5 years from founding, far below the 7.6-year norm (CB Insights).
- The build cycle for frontier and agentic AI is too slow; incumbents buy instead.
- McKinsey expects 2026 deals to centre on data, chips and model-training capability.
- Production-grade, governed AI now reads as core infrastructure for acquirers.

The Compute Imperative

The race for AI infrastructure is reshaping the top of the market.

- The five largest hyperscalers are set to spend $660B to $690B of capex in 2026 (Morgan Stanley).
- About 75%, near $450B, is tied directly to AI infrastructure.
- Data centre, chip and power assets are being acquired to secure that capacity.
- McKinsey calls this the industrial phase of AI: hardware, cloud and models converging.

Private Capital Pressure

Record dry powder is pushing sponsors into AI infrastructure and software.

- About **$2T of private equity dry powder** is seeking deployment (Goldman Sachs).
- AI venture investment reached a record $243.9B in 2025 (PitchBook).
- Sponsors target take-privates of mature software adapting to the AI era.
- Aging 2020-22 vintages are pushing sponsors toward exits in parallel.

A Reopening Market

The broad M&A backdrop is the most constructive since 2021.

- Goldman Sachs forecasts about a **15% rise in M&A volume** in 2026.
- Roughly $3T of corporate cash and $2T of PE dry powder are being unleashed.
- Rate stabilisation and reopened capital markets are lifting buyer confidence.
- Goldman Sachs has declared the multi-year deal winter over.

Sources: McKinsey & Company; Goldman Sachs; Morgan Stanley; CB Insights; PitchBook. See appendix.

Key Founder Takeaways: Q2 2026

WINDSOR DRAKE

1. The Strategic Sale Is the Default

With hyperscalers and enterprise incumbents driving the large majority of AI exits by value, a sale to a strategic buyer is now the central exit path, ahead of both the IPO and the financial buyer.

- Map your capability against the declared gaps of named acquirers.
- Engineer the asset to be acquirable, not only fundable.

2. Quantify Synergies Early

Headline values now rest on identifiable, underwritable synergies; vague AI optionality no longer moves valuation on its own.

- Model revenue and cost synergies before the LOI stage.
- Present the synergy case in the management presentation.

3. The Window Has Lead Time

A full process runs 12 to 18 months, so capturing the current constructive market requires preparation to begin in the present planning cycle.

- Begin diligence readiness well ahead of market engagement.
- Hold 12 to 18 months of runway to negotiate from strength.

4. Capability Beats Scale Alone

Acquirers are paying premiums for models, data and talent that fill a specific gap; big tech is buying AI targets years earlier than the historical norm.

- Frame the asset around a concrete buyer capability deficit.
- Evidence proprietary data and governed, production-grade AI.

5. Expect Structured Consideration

All-cash deals have returned for certainty, but earn-outs and stake-and-licence structures remain standard for bridging valuation gaps on frontier and early-traction AI.

- Prepare for performance-linked payments over 12 to 24 months.
- Negotiate clear, measurable earn-out milestones up front.

6. Mid-Market Assets Must Choose

In a barbell market the $100M to $1B band has the thinnest buyer pool, leaving owners with a clear strategic decision.

- Acquire to reach platform scale, or position to be acquired.
- Delay narrows options as competitive moats erode.

Source: Windsor Drake advisory methodology. See appendix.

Founder FAQs: Process, Timing & Deal Terms

WINDSOR DRAKE

The questions founders ask most, answered against the Q2 2026 AI M&A market.

Q1 How long does a sale process take?

Plan for a **12 to 18 month** total timeline: six to nine months of preparation, three to six months of market engagement and negotiation, and three or more months for regulatory clearance and closing conditions.

Q2 Who are the most active buyers right now?

Hyperscalers and big tech acquiring models, talent and security, **enterprise software incumbents** buying agentic and data capability, and **private equity** executing infrastructure deals and take-privates. Strategic buyers dominate by value.

Q3 Is M&A a better route than an IPO?

For most AI companies, yes. The IPO window has reopened but favours scaled, profitable assets. A strategic sale to an acquirer with a concrete capability gap often delivers a superior risk-adjusted outcome through control premiums.

Q4 What gets a deal the highest price?

A specific capability an acquirer cannot quickly build, proprietary data, governed production-grade AI, clean and underwritable synergies, and a de-risked compliance posture. Competitive tension among two or more credible buyers does the rest.

Q5 When is the right time to run a process?

After **4 to 6 quarters** of predictable performance, while still holding 12 to 18 months of runway. Negotiating from strength, rather than necessity, is what captures a scarcity premium in a demand-led market.

Q6 Should we expect earn-outs?

Often. All-cash consideration has returned for certainty, but **earn-outs and stake-and-licence structures** remain standard for bridging valuation gaps, particularly for frontier-model and early-traction AI assets, typically paid over 12 to 24 months.

Q7 What kills AI deals in diligence?

Unclear data and model IP rights, weak cohort economics, undisclosed open-source or training-data exposure, customer concentration, key-researcher flight risk, and integration or cultural risk. Most are addressable with disciplined preparation.

Q8 What are the main cross-border risks?

Regulatory divergence is the primary friction: antitrust review, the EU AI Act, export controls on advanced compute, and national-security screening (CFIUS and equivalents). Cross-border clearance typically runs 30 to 50% longer than a domestic deal.

Source: Windsor Drake advisory methodology. See appendix.

AI M&A Deal Volume & Value

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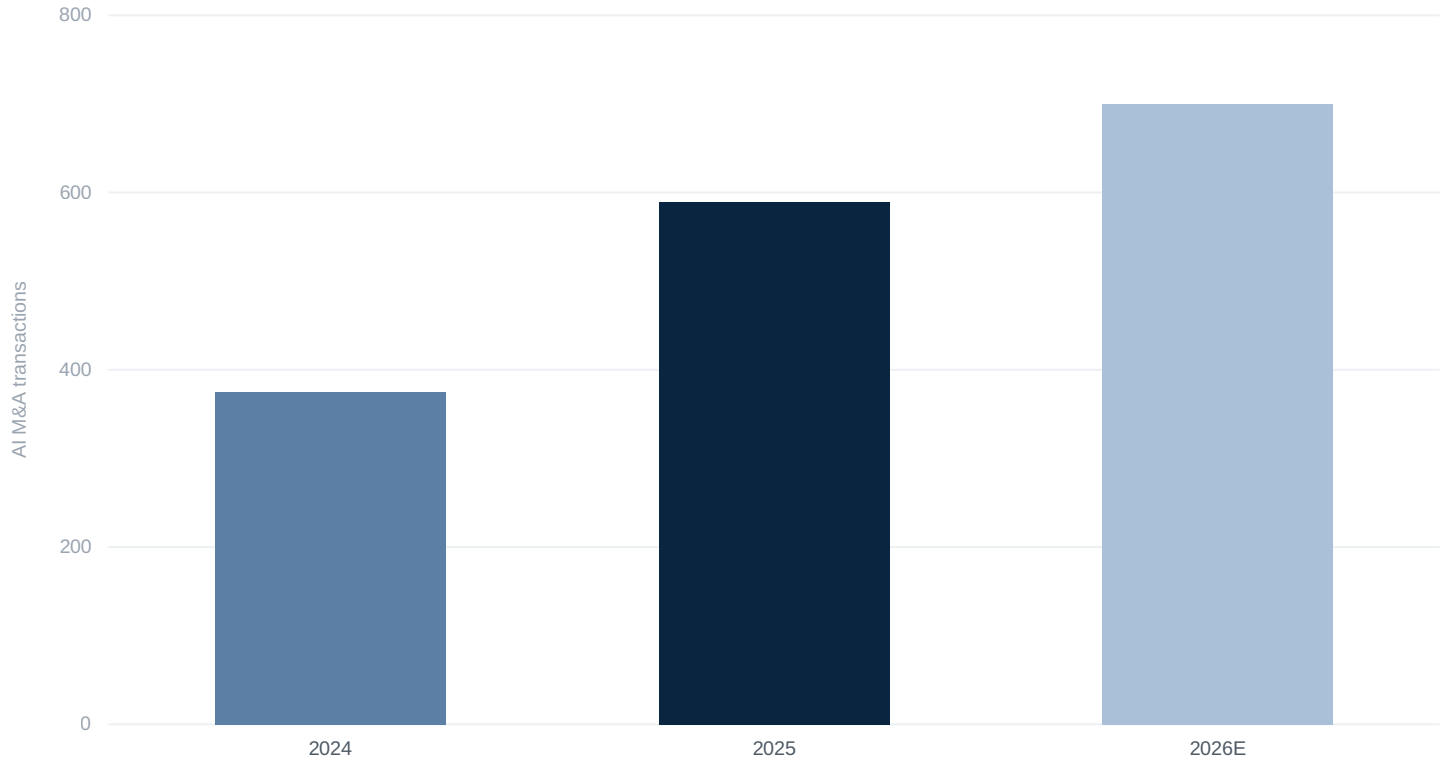
AI deal activity has stepped up sharply, even as capital concentrates in fewer, larger transactions.

North American AI M&A Deal Count



2025 AI M&A (N. AMERICA)

589

Up 57% on 375 deals in 2024 as AI moved to the centre of dealmaking (PwC).

Q1 2026 AI DEALS

266

Up 90% year on year; AI M&A activity remains elevated (CB Insights).

VALUE PER DEAL

Rising

Capital is concentrating in larger infrastructure, chip and platform deals.

A market stepping up: North American AI M&A rose 57% in 2025 to 589 deals, and CB Insights recorded 266 AI deals in Q1 2026 alone, up 90% year on year. The 2026 estimate reflects Windsor Drake analysis of the cited trajectories.

Key Driver

AI is the single most important catalyst for global dealmaking, present in roughly half of all 2025 technology transactions.

Sources: CB Insights State of AI; PwC; McKinsey & Company; Windsor Drake analysis. See appendix.

The Barbell Market: Deal-Size Distribution

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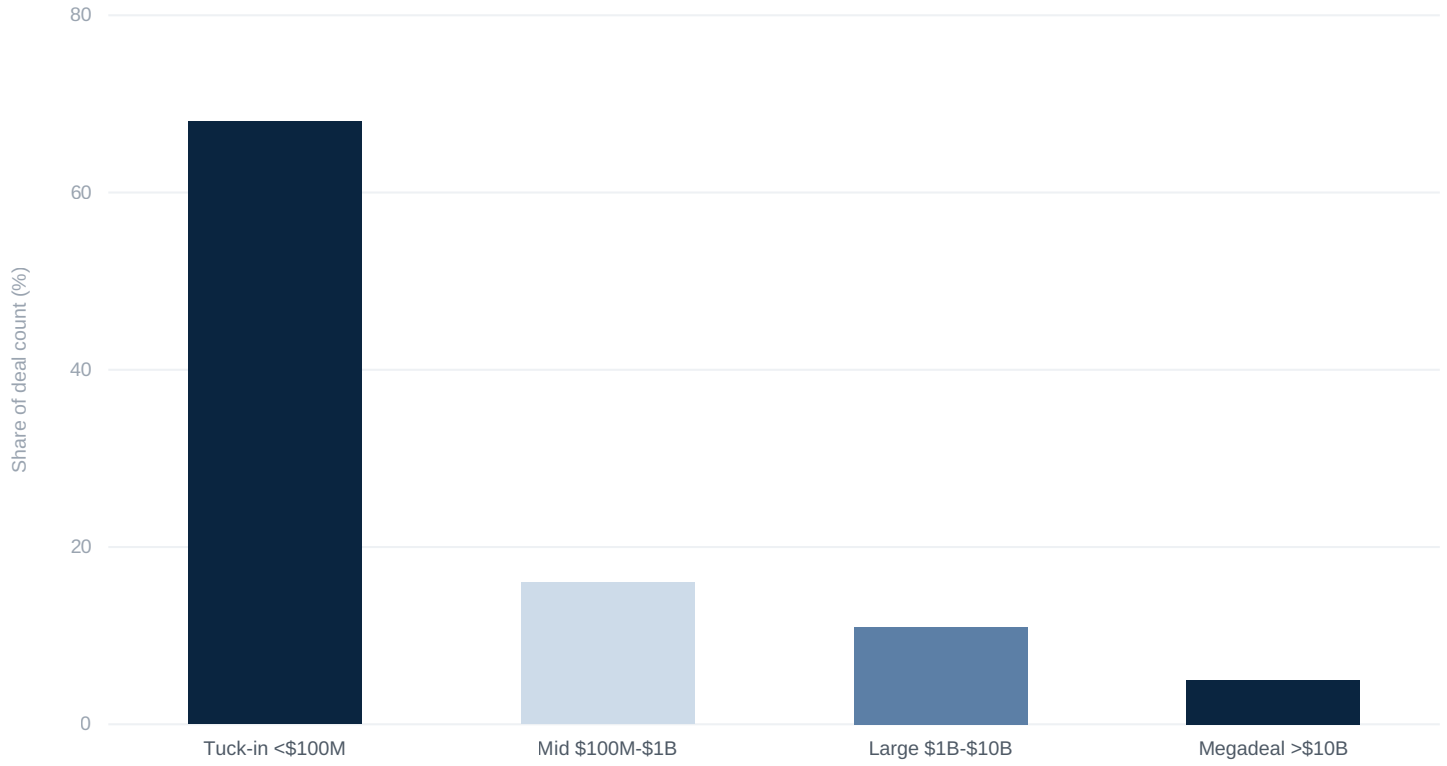
Activity concentrates in high-volume capability tuck-ins and a thin band of megadeals, squeezing the middle market.

Indicative Share of AI M&A Deal Count by Size Band (%)



TUCK-IN DOMINANCE

Count

Small capability buys and acqui-hires are the bulk of activity by number.

MEGADEAL CONCENTRATION

Value

A handful of $10B-plus transactions carry a disproportionate share of value.

THE SQUEEZED MIDDLE

$100M-$1B

Mid-sized assets face the thinnest buyer pool and the longest path to exit.

A hollowing middle: capability tuck-ins and acqui-hires dominate by count while a small number of infrastructure and platform megadeals dominate by value. The distribution shown is Windsor Drake analysis; the directional pattern is corroborated by CB Insights and PwC.

Strategic Implication

Mid-market founders face a binary choice: acquire toward platform scale, or position decisively for a strategic sale.

Sources: CB Insights; PwC; Windsor Drake analysis. See appendix.

Notable Transactions of the Cycle

WINDSOR DRAKE

Four transactions that define the strategic logic of the current AI M&A market.

Google / Wiz

Valued at **$32B**, closed Q1 2026.

- Alphabet's largest acquisition on record.
- Pairs cloud security with AI-powered threat detection across multicloud.
- Gives Google enterprise security credibility for the agentic-AI era.
- Rationale: AI-era security consolidation.

Palo Alto Networks / CyberArk

Valued at about **$25B**, announced 2025.

- A defining identity-security combination for the AI era.
- Identity becomes the control layer for autonomous AI agents.
- Among the largest cybersecurity transactions on record.
- Rationale: capability acquisition.

Nvidia / Groq

Valued at about **$20B**, announced December 2025.

- Nvidia's largest acquisition ever, exceeding its 2019 Mellanox deal.
- Secures high-performance AI inference chip capability.
- Reflects the scramble to control the AI compute stack.
- Rationale: compute and silicon.

Meta / Scale AI

About **$14.3B** for a roughly 49% stake, announced June 2025.

- A large minority investment securing AI data-labelling capability.
- Illustrates the stake-and-licence structures used for frontier assets.
- Anchors the data pipeline behind frontier-model training.
- Rationale: frontier-model data.

Sources: company and SEC filings; CB Insights; PitchBook. See appendix.

Geographic Deal Distribution

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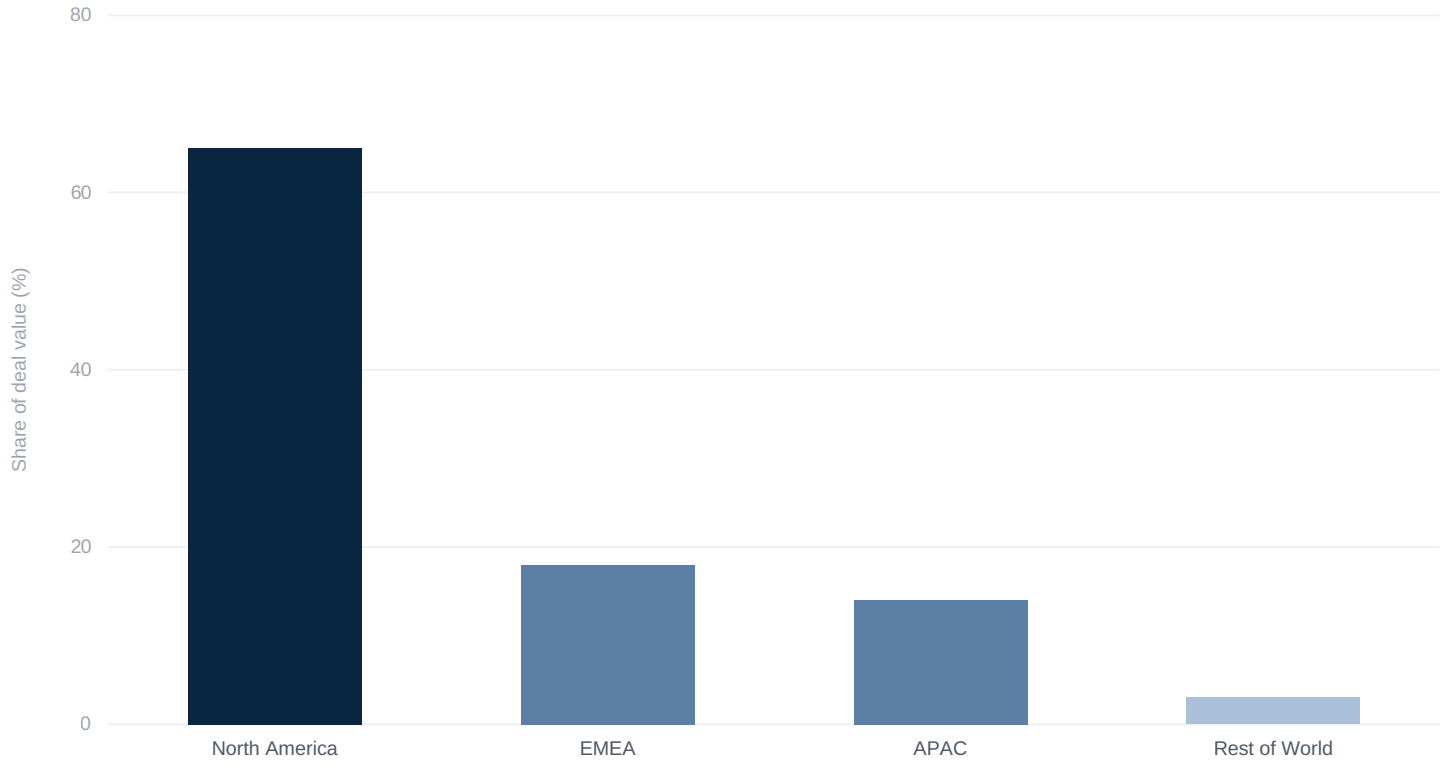
North America anchors AI M&A value; Europe and APAC offer cross-border opportunity for scale buyers.

Indicative Share of AI M&A Deal Value by Region (%)



NORTH AMERICA

~65%

Home to the hyperscalers and the deepest pool of strategic AI buyers.

EMEA

~18%

AI Act clarity and sovereign-compute initiatives drive steady deal flow.

APAC & ROW

~17%

Cross-border acquirers target compute capacity and regulated footholds.

A US-anchored market: the United States hosts the largest strategic acquirers, the deepest capital markets and the bulk of AI infrastructure spend, concentrating AI M&A value in North America. The regional split shown is Windsor Drake analysis corroborated by CB Insights and PwC.

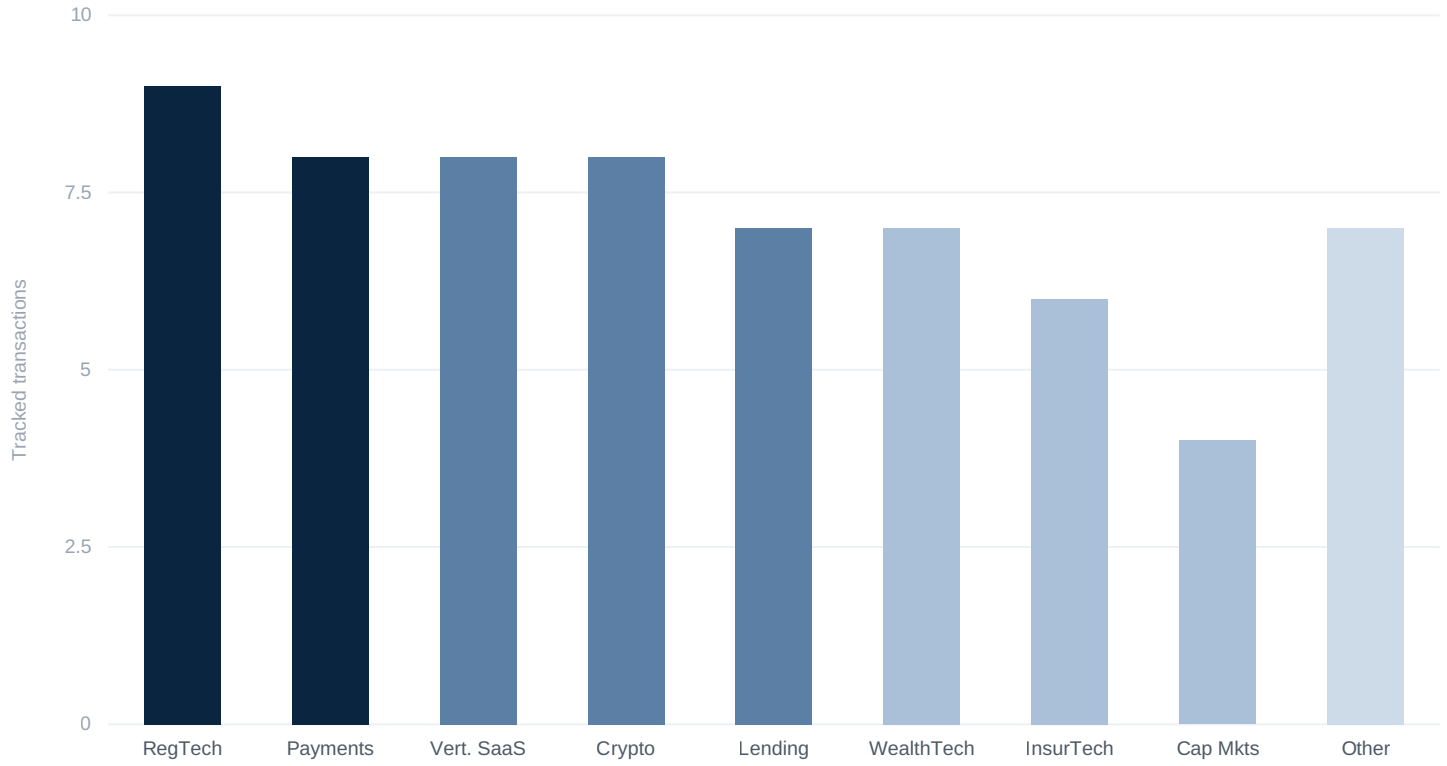
Sources: CB Insights; PwC; Windsor Drake analysis. See appendix.

The Windsor Drake Transaction Index

WINDSOR DRAKE

A proprietary index of 64 verified and reported transactions calibrates the firm's comparable-deal benchmarking.

Tracked Transactions by Sub-sector (count, 2019-2026)



TRACKED TRANSACTIONS

64

Verified and reported technology and financial-technology deals, 2019 to 2026.

CAPABILITY DEALS

Tracked

Identity, fraud and threat-intelligence acquisitions feature throughout the index.

REFRESH CADENCE

Quarterly

The index is updated each quarter as new transactions are verified.

Calibrated to real deals: the index spans 64 transactions from 2019 to 2026, from sub-$100M capability tuck-ins to deals above $20B. It underpins the deal-structure and process discipline applied throughout this report; current-quarter AI figures are drawn from research.

Source: Windsor Drake Transaction Index; firm methodology.

The Buyer Landscape

WINDSOR DRAKE

Three buyer groups are competing for AI assets, each with a distinct mandate.

A Strategic-Led Market

Strategic acquirers accounted for about 60% of all 2025 M&A value, and in AI the skew is sharper still. Hyperscalers and enterprise incumbents have displaced both the IPO and the pure financial buyer as the central exit route for venture-backed AI.

Competition Favours the Seller

With three distinct buyer pools active at once, a well-prepared asset can manufacture genuine competitive tension, the single most reliable lever on final price.

~60%
M&A VALUE TO STRATEGICS

3
ACTIVE BUYER POOLS

Hyperscalers & Big Tech

Google, Microsoft, Amazon, Meta and Nvidia acquiring models, talent, security and compute. The most acquisitive group, buying targets years earlier than the historical norm.

Enterprise Software Incumbents

Salesforce, IBM, ServiceNow and peers acquiring agentic, data and workflow AI to embed into established product stacks and defend recurring revenue.

Private Equity

Sponsors deploying record dry powder into AI infrastructure, data centres and take-privates of mature software adapting to the AI era.

Cross-Border Acquirers

Regional champions and sovereign-backed buyers acquiring across borders to secure compute capacity, talent and regulated footholds.

Sources: CB Insights; PitchBook; McKinsey & Company. See appendix.

Strategic Acquirer Mapping by Subsector

WINDSOR DRAKE

Hyperscalers chase models and compute; private equity targets infrastructure and cash flow; enterprise strategics prioritise embedded AI.

Subsector	Hyperscalers & Big Tech	Private Equity	Enterprise Strategics
Infrastructure & Data Centres	**HIGH** Securing compute, power and capacity for model training.	**HIGH** Data centre and power-asset roll-ups; long-duration cash flow.	**MODERATE** Selective cloud and capacity acquisition adjacent to the core.
Semiconductors & Compute	**HIGH** Vertical integration into chip design and inference silicon.	**MODERATE** Take-privates of design and IP assets; consolidation plays.	**LOW** Outside core competency for most enterprise strategics.
Foundation Models	**HIGH** Stake-and-licence and talent deals to hold the frontier.	**LOW** Capital intensity and loss profile deter classic buyouts.	**MODERATE** Minority stakes to secure preferential model access.
Enterprise & Agentic AI	**HIGH** Buying agentic workflows and ready-made product capability.	**HIGH** Buy-and-build of vertical AI software platforms.	**HIGH** Embedding AI agents into established enterprise suites.
AI Cybersecurity	**HIGH** Securing the cloud and identity layer for agentic AI.	**HIGH** Platform roll-ups of fragmented security vendors.	**MODERATE** Bolt-on identity and trust capability for product suites.
Physical AI & Robotics	**MODERATE** Early positioning in robotics foundation models.	**HIGH** Acquiring industrial robotics platforms with real cash flow.	**MODERATE** Industrial incumbents adding automation capability.

High Activity / Priority Target

Moderate / Opportunistic

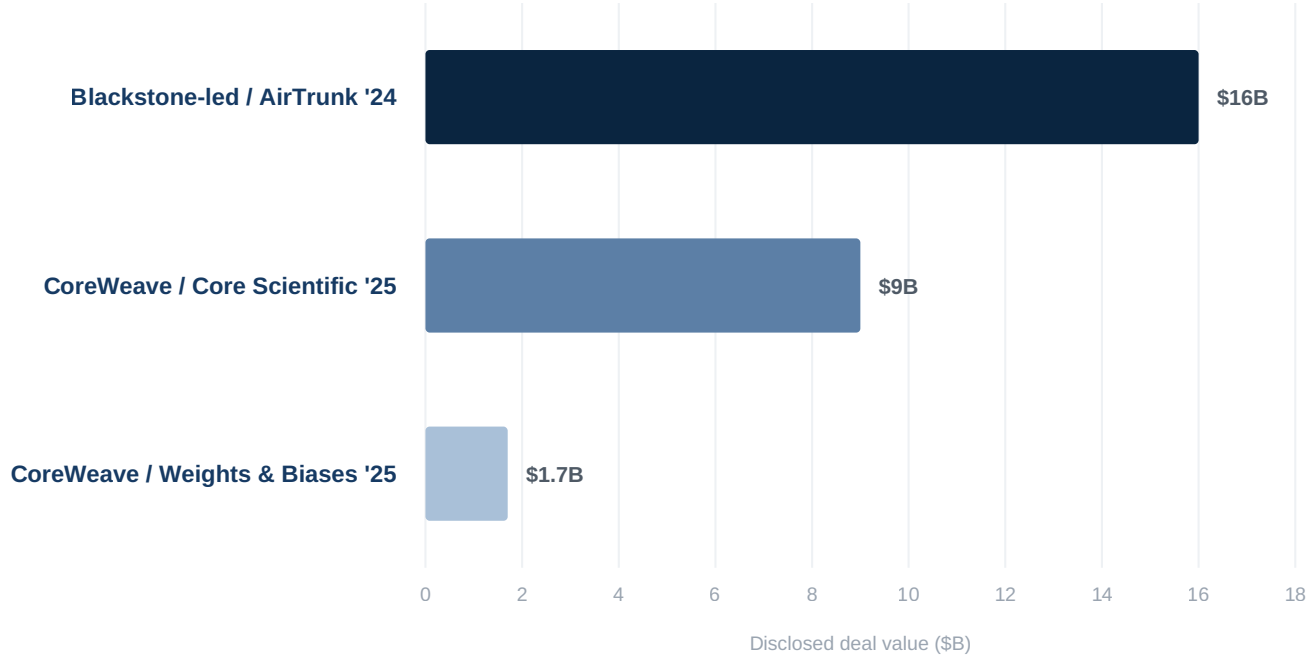
Low Activity / Niche Only

AI Infrastructure & Data Centres M&A

WINDSOR DRAKE

Infrastructure is the heaviest strand of AI M&A by value, led by the race for compute, power and data centre capacity.

Representative Transactions, Disclosed Deal Value



Deal Drivers

The Compute Imperative

Hyperscaler capex of $660B to $690B in 2026 is pulling data centre, power and capacity assets into M&A as buyers secure scarce compute for model training.

Power as the Binding Constraint

Access to gigawatt-scale power has become the gating factor for AI build-out, and acquirers increasingly buy operators for their grid connections, not only their racks.

Buyer Set

Hyperscalers, neoclouds and infrastructure private equity compete for assets; the largest deals combine real estate, power and long-duration contracted cash flow.

KEY OBSERVATION

Infrastructure megadeals carry a disproportionate share of total AI M&A value, while smaller tooling and platform deals continue at a steady cadence.

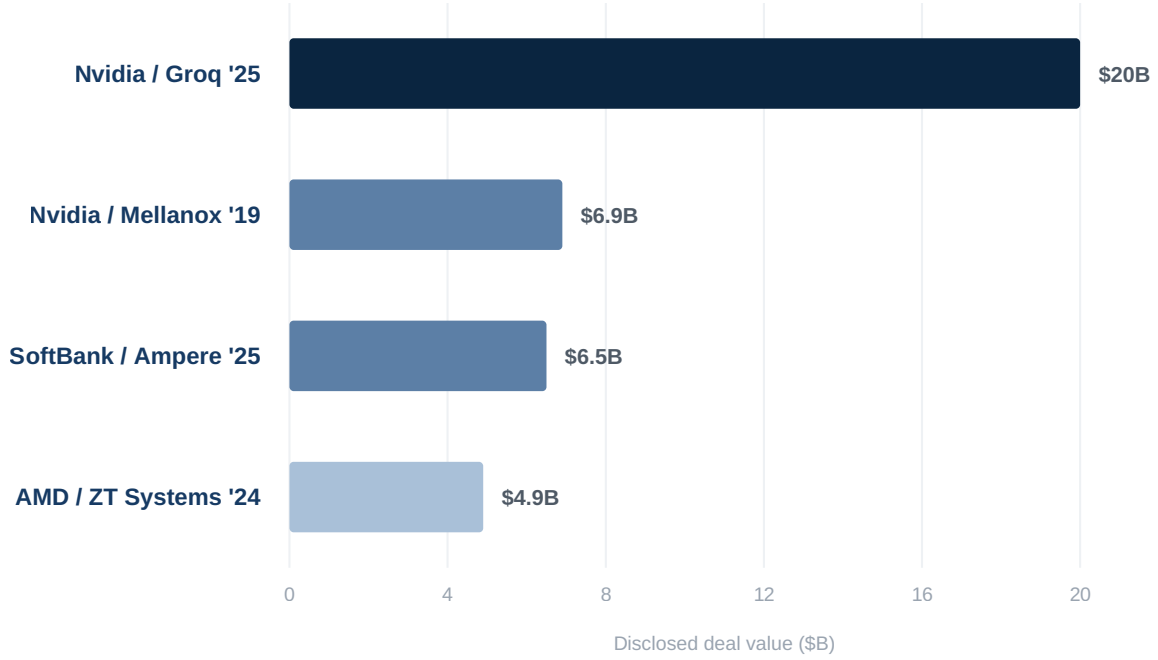
Sources: company and SEC filings; CB Insights; PitchBook. See appendix.

Semiconductors & AI Compute M&A

WINDSOR DRAKE

Chip M&A is consolidating the AI compute stack as buyers pursue end-to-end control of silicon, networking and inference.

Representative Transactions, Disclosed Deal Value



Deal Drivers

Vertical Integration

Companies are pursuing end-to-end control of performance, cost and intellectual property by acquiring across the chip design, networking and systems layers.

Inference Economics

As AI workloads shift from training to large-scale inference, buyers are acquiring specialised inference silicon to lower the marginal cost of serving models.

Consolidation & Roll-Ups

McKinsey expects semiconductor consolidation and roll-ups among computing platforms to remain active through 2026 as scale economics intensify.

KEY OBSERVATION

Semiconductor M&A is now a strategic-on-strategic story, with the largest deals reshaping who controls the AI compute stack.

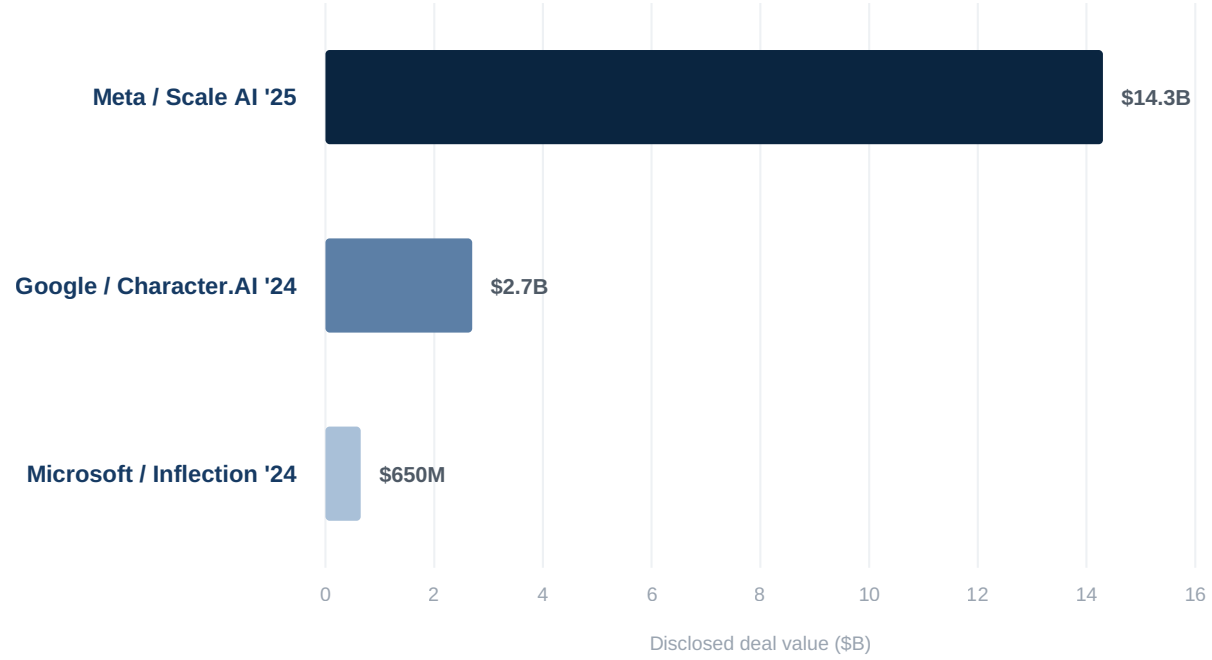
Sources: company and SEC filings; CB Insights; PitchBook. See appendix.

Foundation Models & Frontier AI M&A

WINDSOR DRAKE

Frontier-model M&A is dominated by stake-and-licence and talent structures rather than outright acquisitions.

Representative Transactions, Disclosed Deal Value



Deal Drivers

Stake-and-Licence Structures

The capital intensity and antitrust sensitivity of frontier labs have produced large minority investments and licensing arrangements in place of clean acquisitions.

Talent as the Asset

Several frontier transactions are structured around acqui-hiring research teams and licensing model weights, with the operating company left partly intact.

Data Pipelines

Control of high-quality training and evaluation data has itself become an acquisition target, as the Scale AI investment makes clear.

KEY OBSERVATION

Frontier M&A is concentrated and structurally unusual: buyers acquire access, talent and data rather than whole companies.

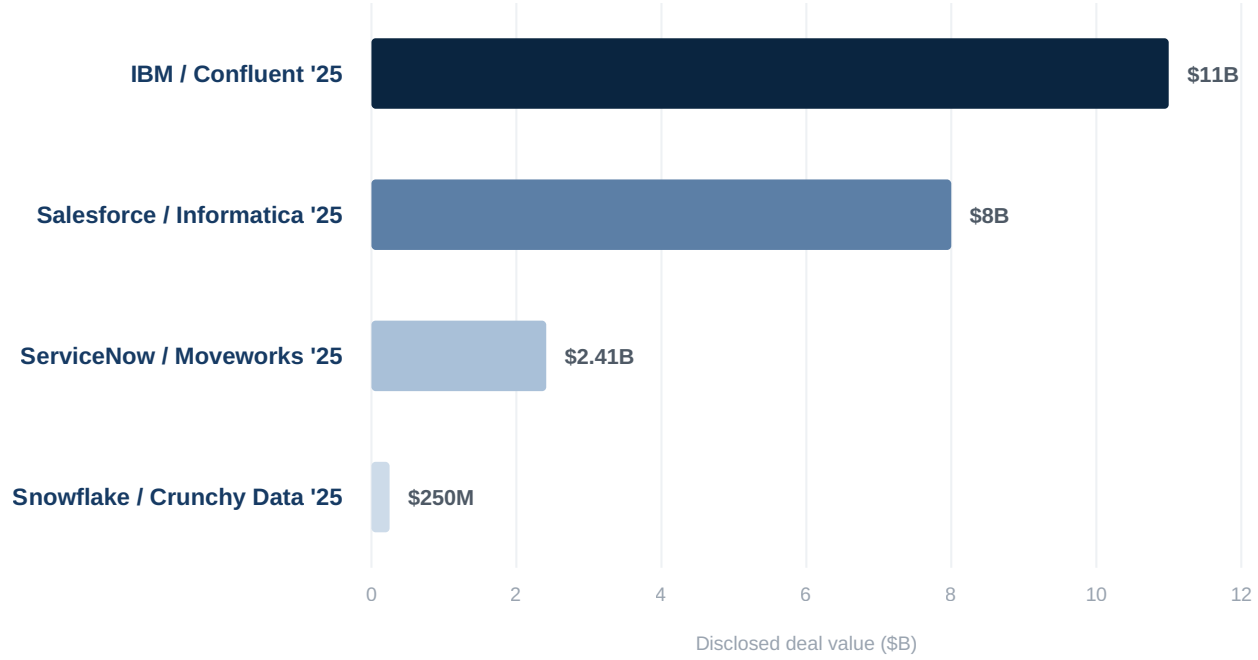
Sources: company and SEC filings; CB Insights; PitchBook. See appendix.

Enterprise AI & Data Software M&A

WINDSOR DRAKE

Enterprise AI M&A is the highest-count subsector, led by incumbents buying agentic, data and workflow capability.

Representative Transactions, Disclosed Deal Value



Deal Drivers

Agentic Workflows

Enterprise incumbents are acquiring agentic AI assistants and orchestration layers to embed autonomous workflows into established product suites.

The Data Foundation

Buyers pay premiums for data streaming, integration and governance platforms, since reliable, governed data is the prerequisite for production AI.

Buy Rather Than Build

IT and professional-service firms are acquiring specialised AI start-ups to accelerate gen AI integration faster than internal build cycles allow.

KEY OBSERVATION

Enterprise AI and data software generate the highest AI M&A deal count, spanning small capability tuck-ins to multi-billion-dollar platform deals.

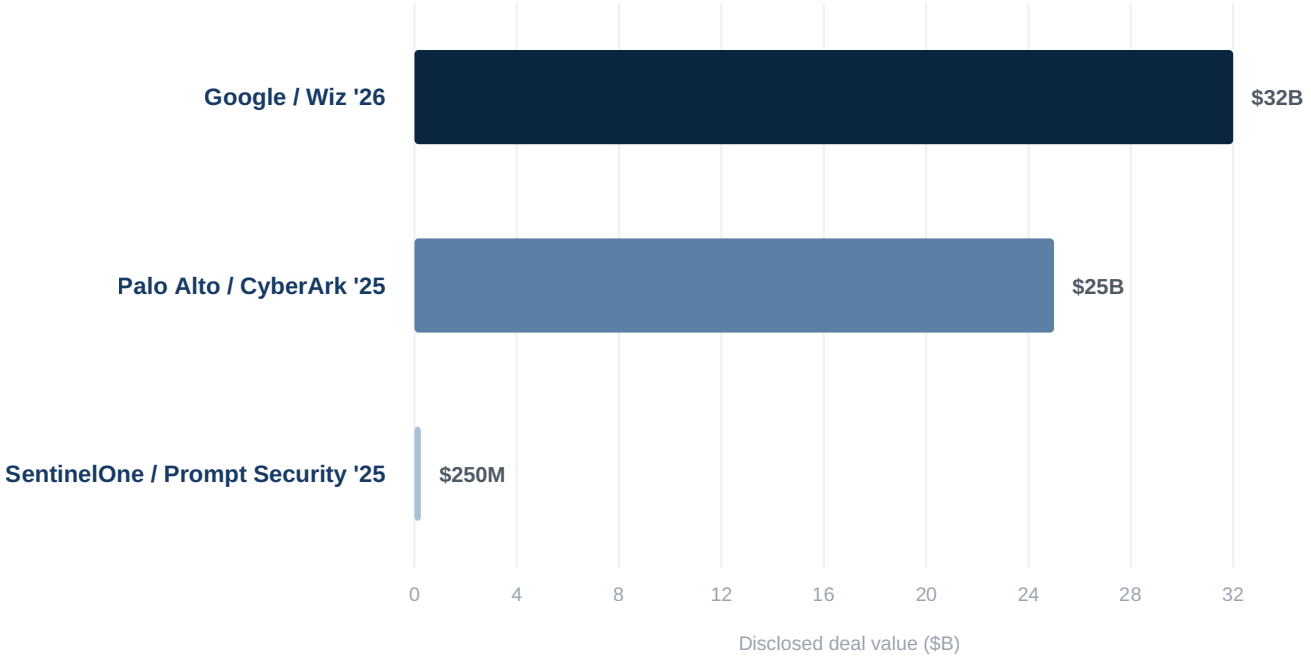
Sources: company and SEC filings; CB Insights; PitchBook. See appendix.

AI Cybersecurity & Trust M&A

WINDSOR DRAKE

Security M&A has produced the cycle's largest AI deals as buyers race to secure the cloud and identity layer for agentic AI.

Representative Transactions, Disclosed Deal Value



Deal Drivers

Securing the Agentic Era

As autonomous AI agents gain access to systems and data, cloud security and identity have become board-level priorities and prime acquisition targets.

Identity as the Control Layer

Identity and access management is the control point for AI agents, driving the Palo Alto and CyberArk combination and a wave of smaller identity buys.

AI-Native Threat Defence

Buyers are acquiring AI-native threat detection and prompt-security assets to defend against AI-enabled attacks and to govern model use.

KEY OBSERVATION

AI cybersecurity has produced the single largest deals of the cycle, as trust and security become foundational to enterprise AI adoption.

Sources: company and SEC filings; CB Insights; PitchBook. See appendix.

Physical AI & Robotics: The Emerging M&A Frontier

WINDSOR DRAKE

Robotics M&A is early and funding-led, but the SoftBank and ABB transaction signals the start of consolidation.

A Watershed Transaction

SoftBank's agreement to acquire ABB's robotics division for about $5.4B, announced in October 2025, is the watershed physical-AI deal. It moves a profitable industrial robotics platform into a buyer building an explicit physical-AI strategy.

Still a Funding Story

Most physical-AI value still moves through venture rounds, not M&A. Physical AI and robotics led all AI sectors at an 11% share of deals in Q1 2026, with humanoid developers on pace for a record year of funding.

~$5.4B
SOFTBANK / ABB ROBOTICS

11%
OF Q1 2026 AI DEALS

Industrial Robotics Consolidation

Private equity and industrial incumbents are the natural buyers of robotics platforms with real revenue, treating them as cash-generative assets with an AI upgrade path.

Foundation Models for Robots

Robot foundation-model developers are emerging as a key battleground, and early capability tuck-ins are likely to precede larger platform M&A.

Structured Deployment Environments

Acquirers favour assets proven in structured settings such as warehouses and factories, where commercial deployment is already underway.

Outlook

Windsor Drake expects physical-AI M&A to broaden as humanoid and industrial assets mature from pilots toward commercial scale.

Sources: company filings; CB Insights State of AI; Windsor Drake analysis. See appendix.

Comparable Transaction Analysis Framework

WINDSOR DRAKE

A rigorous quality-of-revenue and capability filter rather than broad industry codes.

1. Select Peer Set

Identify genuinely comparable transactions by fundamental business characteristics: model, revenue quality, capability type and buyer type, never by broad sector labels alone.

2. Normalise the Deal

Adjust for deal structure: consideration mix, stake-and-licence elements, earn-out weighting and assumed liabilities, to recover the true economic value behind a headline figure.

3. Calibrate the Premium

Apply a control-premium layer, typically 20 to 30%, where cost and revenue synergies can be concretely underwritten by a strategic buyer.

64
TRACKED TRANSACTIONS

2019-26
INDEX COVERAGE

Proprietary Transaction Index

Calibration draws on the firm's proprietary index of **64 verified and reported transactions (2019-2026)**, refreshed each quarter.

Quality-of-Revenue Filter

Peer selection prioritises recurring revenue, gross-margin profile and customer-concentration risk over headline scale.

Capability Weighting

Comparable sets weight transactions by strategic rationale, since capability buys, compute deals and scale plays price on different logic.

Confidence Grading

Every tracked deal is graded Verified, Reported or Estimated, so calibration leans on the best-evidenced transactions.

Source: Windsor Drake proprietary transaction database and methodology.

Hyperscalers & Big Tech as Buyers

WINDSOR DRAKE

The most acquisitive buyer group is moving faster than the market to secure AI capability.

Strategic Motive: Buy the Frontier

The internal build cycle for frontier and agentic AI is too slow to hold a lead, so hyperscalers acquire models, talent and compute outright. CB Insights finds big tech buying AI targets at an average 4.5 years from founding, well below the 7.6-year market norm.

Acquisition Patterns

The preference is for single-capability assets that integrate cleanly into existing product stacks, frequently after a partnership or commercial relationship that de-risks the technology.

4.5 yrs
AVG AGE AT ACQUISITION

Google
MOST ACTIVE DEALMAKER

Priority: Compute & Infrastructure

Hyperscalers acquire chips, data centres and power capacity to secure the compute that underpins their model and cloud roadmaps.

Priority: Models & Talent

Stake-and-licence deals and acqui-hires bring frontier research teams and model access in-house without triggering a full antitrust review.

Priority: Security & Trust

The Wiz acquisition shows hyperscalers buying cloud and identity security to make enterprise AI adoption defensible.

Federated Integration

Targets are often run semi-autonomously to retain researchers and culture while platform-grade infrastructure is layered in behind.

Sources: CB Insights; McKinsey & Company; Windsor Drake analysis. See appendix.

Private Equity Acquisition Patterns

WINDSOR DRAKE

Record dry powder is pushing sponsors into AI infrastructure and software take-privates.

Deployment Pressure

With roughly $2T of global dry powder to deploy, sponsors face acute pressure to transact. AI infrastructure, data centres and power assets offer the scale and long-duration cash flow that absorb large cheques.

The Take-Private Thesis

Mature software adapting to the AI era and trading below intrinsic value is a prime target, with sponsors underwriting an AI-driven value-creation plan from day one.

~$2T
GLOBAL DRY POWDER

$243.9B
2025 AI VENTURE INVESTMENT

Ideal Target Profile

Sponsors prioritise high recurring-revenue mix, low churn and efficient growth, the profile that supports leverage capacity.

Value-Creation Playbook

AI-driven productivity, pricing optimisation and buy-and-build consolidation of fragmented AI software verticals.

Aging-Portfolio Catalyst

Portfolios keep aging well above the pre-pandemic norm, signalling a parallel wave of sponsor exits, many to corporate buyers.

Deal Structure

A resurgence of all-cash transactions for deal certainty, with earn-outs bridging gaps on unproven AI capability.

Sources: Goldman Sachs; PwC; PitchBook. See appendix.

Capability M&A: Talent, Models & Compute

WINDSOR DRAKE

The fastest-growing strand of AI M&A is the acquisition of specific technical capability.

Frontier Models & Talent

HIGHEST DEMAND

Buying the research frontier

- Acquirers buy model access and research teams, not just products.
- Stake-and-licence structures sidestep capital intensity and antitrust.
- Key-researcher retention is the central execution risk.
- **Signal:** evidence durable model performance and a retained team.

Agentic AI Workflows

ENTERPRISE PRIORITY

Production-grade automation

- Incumbents buy governed, production agentic workflows, not pilots.
- The build cycle for agentic systems is too slow to match the market.
- ServiceNow and Moveworks set the template for the agentic capability buy.
- **Signal:** prove measurable operating leverage from deployed AI.

Compute & Silicon

STRATEGIC CONTROL

Owning the AI stack

- Buyers acquire chips, inference silicon and networking for control.
- Vertical integration secures cost, performance and IP end to end.
- Nvidia and Groq is the marquee compute-capability transaction.
- **Signal:** demonstrate differentiated performance per watt and per dollar.

AI Trust & Security

DEFLATIONARY LEVER

Making AI adoption safe

- Cloud, identity and prompt-security assets are persistently acquired.
- Trust is the precondition for enterprise AI deployment at scale.
- Google and Wiz is the largest expression of the security thesis.
- **Signal:** quantify risk reduction on real production traffic.

Sources: CB Insights; McKinsey & Company; Windsor Drake analysis. See appendix.

Deal Structure & Terms

WINDSOR DRAKE

How AI transactions are being structured in the current market.

Consideration Mix

ALL-CASH RESURGENCE

Certainty is back in favour

- All-cash consideration has returned as well-capitalised buyers prize certainty.
- Cash removes the financing and share-price risk of stock deals.
- Stock still features where buyer and seller want aligned upside.
- **Founder note:** weigh certainty against participation in future value.

Stake & Licence Deals

FRONTIER STRUCTURE

Access without acquisition

- Large minority stakes and licensing arrangements are common for frontier AI.
- They secure model access and talent while limiting antitrust exposure.
- Meta and Scale AI is the defining stake-and-licence transaction.
- **Founder note:** model governance and control rights carefully.

Earn-Outs

STANDARD BRIDGE

Bridging the valuation gap

- Earn-outs remain standard for frontier and early-traction AI assets.
- Performance-linked tranches typically run over 12 to 24 months.
- They bridge gaps where forward growth is genuinely unproven.
- **Founder note:** negotiate clear, measurable, controllable milestones.

Regulatory Remedies

DESIGNED IN

Antitrust planned from day one

- Larger AI deals increasingly design structural remedies in from the outset.
- Acqui-hire structures are used in part to limit antitrust scrutiny.
- Cross-border clearance runs 30 to 50% longer than a domestic deal.
- **Founder note:** model regulatory timelines into runway and structure.

Sources: McKinsey & Company; PwC; company filings. See appendix.

Cross-Border M&A Considerations

WINDSOR DRAKE

Jurisdictional divergence is the primary execution risk in cross-border AI deals.

Regulatory Regimes

Divergent AI frameworks, the EU AI Act, US executive actions and China's model-governance rules, materially complicate integration and lengthen approval timelines for cross-border AI transactions.

The Arbitrage Case

Cross-border deals also create opportunity: acquirers use strong-currency positions and deeper capital markets to acquire compute capacity, talent and regulated footholds abroad.

12-18mo
CROSS-BORDER CYCLE

+30-50%
LONGER CLEARANCE

Extended Timelines

Regulatory clearance for cross-border AI deals runs 30 to 50% longer than domestic transactions; ensure runway to withstand delay without losing leverage.

Export Controls & Screening

Controls on advanced compute and national-security screening (CFIUS and equivalents) are the principal sources of friction and timeline risk.

Data & Model Sovereignty

Data-residency rules and model-governance regimes can require structural remedies or carve-outs before a deal can clear.

Local Partners

Retaining local management and a dual-track option preserves both regulatory navigation and competitive tension through close.

Sources: McKinsey & Company; PwC; Windsor Drake analysis. See appendix.

Competitive Moats That Attract Acquirers

WINDSOR DRAKE

Acquirers pay premiums for structural defensibility that they cannot quickly build.

Proprietary Data

ASSET VALUE: HIGH

Unique data training the model

- Creates a virtuous cycle of model improvement rivals cannot replicate.
- Powers unique accuracy, personalisation or domain capability.
- Compounds in value as the install base and data history grow.
- **For the buyer:** an asset that is faster to buy than to recreate.

AI-Native Operations

SCALE VALUE: HIGHEST

Scalability decoupled from headcount

- AI-driven operations cut the marginal cost to serve.
- Demonstrates non-linear margin expansion as the business scales.
- Production AI is the single most-sought capability in 2026 M&A.
- **For the buyer:** deployable operating leverage across the base.

Compute & Talent

BARRIER VALUE: HIGH

Scarce silicon and researchers

- Secured compute capacity is itself a scarce, contested asset.
- A retained research team is central to frontier and applied AI value.
- Both are central to compute and frontier-model acquisition theses.
- **For the buyer:** capacity and expertise that accelerate the roadmap.

Workflow Ownership

GROWTH VALUE: HIGH

Owning the system of record

- Owning a vertical's system of record raises switching costs.
- Drives structurally lower CAC and higher retention over time.
- Provides the distribution surface for embedded AI monetisation.
- **For the buyer:** a durable, low-CAC channel for AI products.

Source: Windsor Drake analysis. See appendix.

Positioning for Strategic Acquisition

WINDSOR DRAKE

Strategic value is driven by capability fit, integration ease and synergy density.

Capability Fit

Demonstrate unique IP, proprietary data and governed, production-grade AI that fill a specific, declared buyer gap, making the buy-versus-build decision self-evident for the acquirer.

Integration Ease

Acquirers pay clear premiums for plug-and-play assets. Minimise critical dependencies, document data and model lineage, and present clean, audited financials.

Synergy Density

Quantify the revenue lift from cross-selling into the acquirer's base, and model cost synergies from shared infrastructure and compute, to support a higher offer.

Strategic Buyer Mapping

Run a structured gap analysis of potential acquirers and map your capabilities to each buyer's declared strategic deficits.

Proof-of-Integration

Develop technical materials that demonstrate speed-to-value within the acquirer's ecosystem, pre-empting technical diligence.

Synergy Quantification

Explicitly model top-line and bottom-line impact in the management presentation to anchor the price conversation on hard numbers.

Comprehensive VDR Readiness

Build a defensive data room addressing data rights, model IP, open-source exposure and customer-concentration risk before the first buyer engagement.

Source: Windsor Drake advisory methodology. See appendix.

Timing the Exit: 12-18 Month Roadmap

WINDSOR DRAKE

A full process runs 12 to 18 months end to end. Founders who prepare in the current cycle meet the market while today's alignment of buyer demand, capital availability and reopened deal flow still holds.

Readiness & Hygiene
Q3 2026

- Audit completion to PCAOB standard
- AI governance and data-rights review
- Unit-economics and synergy mapping
- Clean up the cap table and option pool

KEY MILESTONE
Clean data, IP and open-source scan

Strategic Positioning
Q4 2026

- Build the strategic buyer-targeting list
- Draft the CIM and management presentation
- Quantify the synergy case per acquirer
- Lock key-researcher retention packages

KEY MILESTONE
Retention packages locked

Market Engagement
Q1 2027

- Fireside chats with priority strategics
- Solicit initial indications of interest
- Deliver management presentations
- Open the virtual data room

KEY MILESTONE
Competitive bid tension

Execution & Closing
Q2 2027

- Definitive agreement negotiation
- Regulatory filings and antitrust review
- Confirmatory diligence support
- Closing and integration kickoff

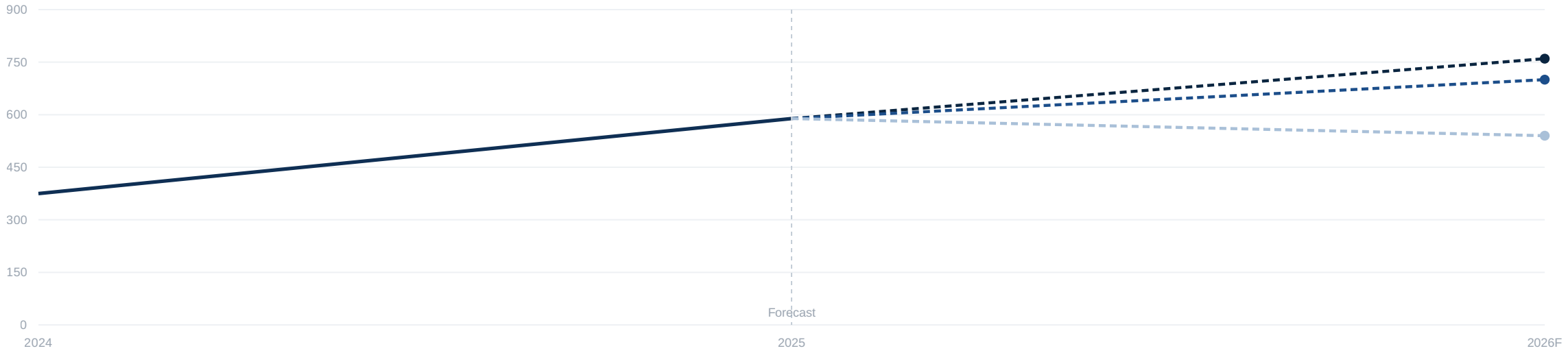
KEY MILESTONE
No-MAC event verification

Source: Windsor Drake advisory methodology. See appendix.

2026 AI M&A Outlook Scenarios

WINDSOR DRAKE

With North American AI M&A at 589 deals in 2025, the 2026 trajectory turns on rates, the IPO window and the pace of capability and compute buying.



BULL CASE ~760

Key Drivers

- Aggressive rate cuts and a fully open IPO window
- A capability and compute buying wave accelerates
- Megadeal momentum continues across infrastructure

IMPLICATION: A SELLER'S MARKET

BASE CASE ~700

Key Drivers

- Steady rate normalisation supports dealmaking
- AI deal count rises modestly on continued demand
- Capability, compute and security deals lead activity

IMPLICATION: A CONSTRUCTIVE MARKET

BEAR CASE ~540

Key Drivers

- Inflation resurgence or a rate-cut pause
- An AI capital-spending pullback cools sentiment
- Buyers retreat to the smallest capability tuck-ins

IMPLICATION: A BUYER'S MARKET

Source: Windsor Drake analysis; Goldman Sachs and Morgan Stanley outlooks; CB Insights; PwC. See appendix.

Emerging Deal Themes

WINDSOR DRAKE

Where the next wave of AI M&A is concentrating, and what it means for sellers.

Power & Energy Assets

As power becomes the binding constraint on AI build-out, acquirers are moving from data centres into generation and grid-connection assets themselves.

Agentic Commerce & Workflows

Buyers are acquiring agentic orchestration capability as autonomous agents reshape how enterprise work and purchasing are initiated and routed.

Vertical AI Consolidation

AI-native leaders in healthcare, legal and other verticals are themselves becoming acquirers, locking down their categories ahead of incumbents.

Capability Buys Accelerate

Hyperscalers and enterprise incumbents are buying models, talent and security faster than they can build, widening the buyer pool for technical assets.

Infrastructure Roll-Ups Intensify

Private equity is consolidating data centre, compute and power assets, with record dry powder still seeking long-duration deployment.

Regional Champions Go Global

Sovereign-backed and regional buyers are acquiring across borders to secure compute capacity, talent and AI footholds.

A Demand-Led Market

Record dry powder and capability-driven demand are chasing a supply of quality AI assets that has not kept pace.

Sources: McKinsey & Company; CB Insights; PwC; Windsor Drake analysis. See appendix.

M&A Case Study: Google & Wiz

WINDSOR DRAKE

The defining AI-era security deal of the cycle, and the playbook it sets for founders.

The Security Consolidation Playbook

Google's acquisition of **Wiz**, valued at **$32B** and closed in **Q1 2026**, is Alphabet's largest deal ever and the defining AI-era security transaction. It confirms that trust and security have become foundational infrastructure for enterprise AI adoption.

Strategic Rationale

- **Capability buy:** acquiring leading cloud security across multicloud environments rather than building it.
- **AI enablement:** pairing security with AI-powered threat detection to make enterprise AI defensible.
- **Credibility:** giving Google enterprise security standing as agentic AI raises the stakes for trust.

Implications for Founders

Trust Is Now a Premium Asset

As autonomous AI agents gain access to systems and data, **security and trust** have moved from a feature to foundational infrastructure. Assets that make AI adoption safe command scarcity premiums.

Quantify Synergies Pre-LOI

Headline values rest on **identifiable, underwritable synergies**. Vague AI optionality no longer moves price; rigorous synergy math, presented before the LOI, does.

Platform vs. Point Solution

Assets framed as broad **platforms** capable of absorbing bolt-ons trade at clear premiums to narrow point solutions. Integration readiness is itself a value lever.

Sources: Alphabet and company filings; financial press. See appendix.

The M&A Readiness Mandate

WINDSOR DRAKE

Four workstreams that convert a strong company into a prepared, acquirable AI asset.

1. Financial Hygiene

FOUNDATION

Make the numbers diligence-ready

- Complete an audit to institutional standard well ahead of a process.
- Reconcile metrics so reported KPIs survive buyer scrutiny.
- Clean the cap table, option pool and any related-party items.
- Resolve revenue-recognition and contract questions early.

2. Capability Narrative

POSITIONING

Frame the asset for a specific buyer

- Identify the precise capability gap the asset fills for each acquirer.
- Evidence proprietary data and governed, production-grade AI.
- Position as platform infrastructure, not a single point tool.
- Map the story to the declared strategy of the top five buyers.

3. Synergy Case

VALUE

Do the buyer's math for them

- Model revenue synergies from cross-sell into the acquirer's base.
- Quantify cost synergies from shared infrastructure and compute.
- Present the case in the management presentation, not after.
- Anchor the price conversation on underwritable numbers.

4. Risk & Data Room

EXECUTION

De-risk before first contact

- Build a defensive VDR covering data rights, model IP and open-source.
- Pre-empt technical diligence with integration-readiness materials.
- Lock key-researcher retention before the process begins.
- Model regulatory and antitrust timelines into the plan.

Source: Windsor Drake advisory methodology. See appendix.

Appendix: Sources & Methodology (Part 1)

WINDSOR DRAKE

Institution	Report / Source	Date
CB Insights	*State of AI Q1'26 Report*	Apr 2026
CB Insights	*State of Venture Q1'26 Report*	Apr 2026
PwC	*AI and Private Equity Fuel Surge in Large M&A Deals*	Sep 2025
PwC	*Global M&A Industry Trends: 2026 Outlook*	2026
PwC	*Technology: US Deals 2026 Outlook*	2026
McKinsey & Company	*Technology M&A: AI Enters Its Industrial Phase*	Feb 2026
McKinsey & Company	*2026 M&A Trends: Navigating a Rapidly Rebounding Market*	Feb 2026
Goldman Sachs	*2026 Global M&A Outlook*	Jan 2026
Morgan Stanley	*Global M&A Activity Outlook 2026*	2026
PitchBook	*Big-Ticket Deals Push M&A Value to All-Time High; 2025 VC Trends*	Jan 2026

Appendix: Sources & Methodology (Part 2)

WINDSOR DRAKE

Institution	Report / Source	Date
S&P Global Market Intelligence	*Global M&A by the Numbers; cited in PwC deals analysis*	2025-26
Federal Reserve	*FOMC Statement; Summary of Economic Projections*	2026
Alphabet Inc.	*Investor disclosure, Wiz acquisition*	2025-26
SoftBank Group Corp.	*Press release, acquisition of ABB Robotics division*	Oct 2025
CoreWeave Inc.	*Investor release and SEC filings, Core Scientific acquisition*	Jul 2025
Company filings & financial press	*Event reporting on Wiz, CyberArk, Groq, Scale AI, Confluent and Informatica (Reuters, Bloomberg, CNBC)*	2024-26

METHODOLOGY NOTES

Source Standard

Inputs are restricted to top-tier institutions: bulge-bracket banks, the major consultancies, elite data houses, and primary regulatory and filing sources. Boutique and market-report vendors are excluded.

Structural Adjustments

Comparable transactions are normalised for consideration mix, stake-and-licence elements, earn-out weighting and assumed liabilities to recover the economic value behind a headline figure.

Deal Data & the Transaction Index

Transaction analysis draws on a proprietary index of 64 verified and reported deals (2019-2026), each graded for evidence quality, alongside the top-tier sources above. Current-quarter AI deal data is drawn from research.

Synthesis & Attribution

Figures labelled as firm analysis or estimate, including the 2026 deal-count scenarios and indicative distributions, are the firm's own synthesis of the cited institutional data, presented as a house view rather than third-party consensus.