



# Technology M&A Sector Performance and FY26 Outlook

Mid-Market Insights Across Hardware, SaaS, AI, and IT Services

February 2026

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# Executive Summary

Technology M&A surged ~66% y-o-y to ~\$1.08T in 2025, underpinned by \$320B+ in hyperscaler AI infrastructure spending, record PE dry powder exceeding \$2T, and one-third of the largest deals citing AI as a core strategic rationale.



## Hardware

### Silicon Renaissance

- AI compute and data center infrastructure demand drove a **66% YoY** surge in technology M&A to ~\$1.08T in 2025
- Semiconductor sales reached a record **\$791.7B (up 25.6%)**, with consolidation accelerating around AI chips and networking
- **\$320B+** in planned **Big Tech AI infrastructure spending** catalyzed acquisitions across the full compute stack
- 2026 outlook prioritizes **sovereign supply chain resilience**, edge computing, and defense-commercial convergence



## SaaS

### Profitable Growth Recalibration

- Valuations shifted from revenue-only metrics to a **"Rule of 40" framework** rewarding profitable, efficient growth
- The 2024-2025 correction purged low-quality assets, leaving **resilient, high-margin platforms** commanding premiums
- Companies with **proprietary AI integrations** expected to command a **15-24% valuation premium** over peers
- 2026 consolidation will accelerate around **integrated, AI-native suites** replacing fragmented point solutions



## Artificial Intelligence

### From Venture Bets to Industrial Scale

- AI M&A deal volume reached ~**1,525 transactions in 2025**, growing at a ~29% CAGR since 2020, driven by **mid-market acqui-hires** and capability acquisitions
- Vertical AI spending surged to **\$3.5B in 2025** with healthcare alone capturing \$1.5B, or 43% of total vertical AI spend
- Deal structures evolved with acquihires, talent absorptions, and hybrid models reshaping the M&A toolkit
- 2026 will be dominated by **vertical AI applications** delivering proven enterprise ROI in healthcare and finance



## IT Services

### Digital Engineering Pivot

- Firms specializing in AI implementation, cloud migration, and cybersecurity saw deal values **rebound ~30%** in annualized 2025 activity
- NTT Data Group's **\$16.3B merger** underscored the shift from legacy outsourcing to full-stack digital orchestration
- Legacy consulting models stagnated while **digital engineering and managed services** captured buyer interest
- Mid-market consolidation will accelerate in 2026 as global players race to **scale GenAI implementation workforces**



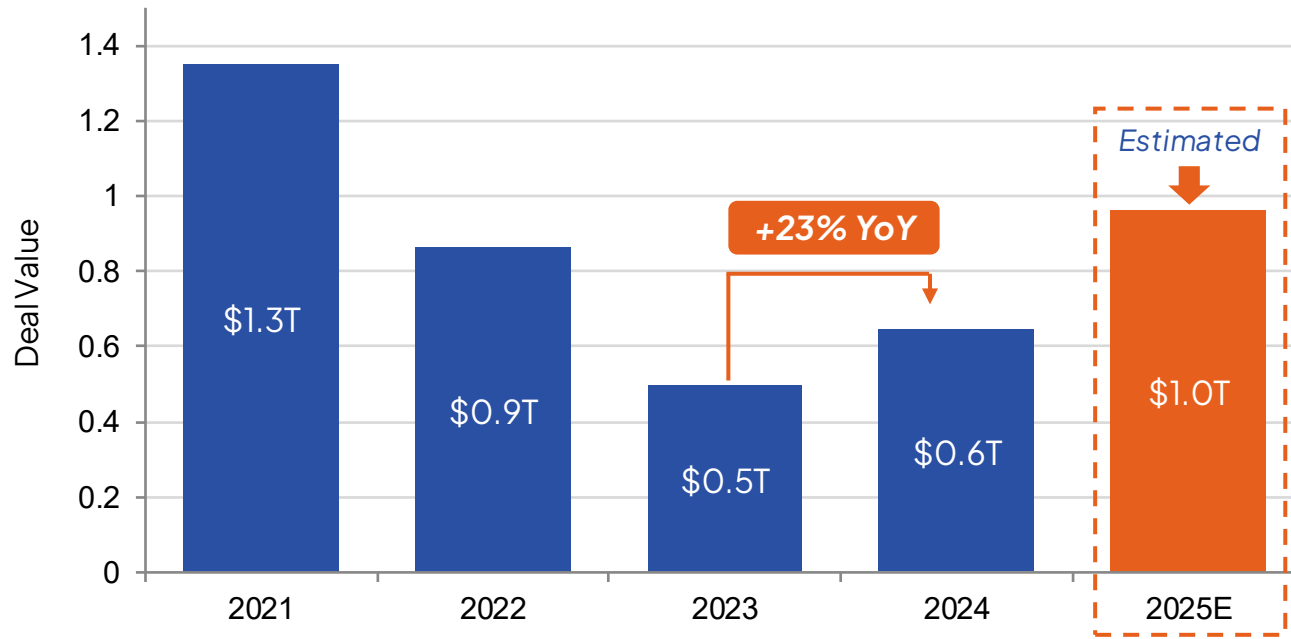
**2026 Outlook:** The convergence of record PE dry powder, normalized financing conditions, and an accelerating AI infrastructure build-out positions Technology M&A for another year of robust activity, with AI-related assets, platform consolidation, and mid-market roll-ups as primary deal themes.

# Technology M&A Sector Performance

Macro recovery, deal activity rebound, and the  
forces shaping the 2026 outlook

# Global tech M&A recovery is K-shaped, with mid-market activity lagging as AI infrastructure demand reshapes deal dynamics

TMT M&A Deal Value, 2021–2025E (USD Trillions)



## A K-Shaped Recovery and the Mid-Market Challenge

- Global M&A deal values rose **40% in 2025**, with the Americas reporting a **52% increase** driven by a high concentration of US-target megadeals
- The 2025 rebound was **K-shaped**: value growth was driven by **~600 transactions above \$1B**, while deal value across the remaining **~47,000 mid-market and smaller transactions was flat YoY**, highlighting a bifurcated recovery
- **Approximately one-third** of 100 largest corporate M&A transactions cited AI as a core strategic rationale, underscoring **AI infrastructure** as the dominant deal thesis
- Average PE hold times stretched to **6.5 years** in 2025, with over 16,000 portfolio companies held for **4+ years** globally (52% of total buyout-backed inventory), creating significant **exit pressure** across the mid-market
- Scope deals accounted for **60% of big deals**, making 2025 the biggest year on record for deals driven by revenue growth strategies



The M&A market is increasingly polarized: large corporates and scaled sponsors benefit from **stronger balance sheets and diverse financing**, while mid-market players face **capital constraints and selective dealmaking**. As valuation gaps narrow and PE exit pressure mounts, 2026 may see momentum broaden beyond the top tier, but mid-market recovery will depend on **continued rate stability and improved buyer-seller alignment**.

Sources: McKinsey M&A Trends 2026, PwC Global M&A Industry Trends 2026, McKinsey Global Private Markets Report 2026, GF Data, Forvis Mazars Mid-Market M&A Insights 2025, PitchBook 2025 Annual Global M&A Report

# Six technology-specific dynamics are expected to sustain elevated deal values and reshape tech M&A through 2026

## AI Infrastructure Investment Wave

- **AI capex supercycle** complementing traditional M&A with JVs, minority investments, and long-term infrastructure partnerships
- Corporates are acquiring across **semiconductors, cooling, and power** to close critical AI compute capability gaps
- **Mid-market AI infrastructure providers** are attracting PE interest as scalable bolt-on acquisitions to complement hyperscaler build-outs

## Landmark Tech Take-Privates

- **Platform LBOs** are projected to represent **25%+ of total PE deal activity** in 2026, signaling renewed sponsor appetite for **standalone acquisitions** as financing eases
- Thoma Bravo's **\$12.3B Dayforce** and EQT's **\$5.5B Fortnox** deals signal deep sponsor conviction in mature, recurring-revenue platforms
- PE and sovereign funds targeting **undervalued category-leading platforms** to accelerate innovation beyond quarterly earnings pressure

## AI as the Dominant Deal Thesis

- Technology M&A value **surged 66%** in 2025, with AI-related transactions driving the majority of deal value growth
- **Mid-market AI deal flow** is accelerating as PE firms target **specialized engineering teams** and niche **vertical AI startups** with PE AI deal volume up **49% YoY** in H125.
- Buyers pursuing **AI capabilities** across the full stack, from foundational models to enterprise vertical applications

## Regional Divergence in Tech Deals

- **Americas technology deal values rose 82%**, driven by concentration of megadeals involving US-based targets
- EMEA technology values **declined 15%**; Asia Pacific recorded **16% increase**, creating a **widening transatlantic gap**
- **Cross-border buyers**, particularly mid-cap Japanese corporates, are entering 2026 with heightened appetite for **US and European mid-market tech assets**

## IT Services to AI Orchestration

- **IT services M&A** accelerating as buyers build integrated AI-enabled platforms unifying cloud, data, and AI
- NTT's **~\$16.5B acquisition with NTT Data Group** signals shift toward full-stack digital ecosystem orchestration
- Differentiation increasingly dependent on **depth of AI readiness**, technical expertise, and embedded customer integration

## Software Platform Consolidation

- Enterprises replacing fragmented point solutions with **integrated, AI-native software suites** driving platform-centric acquisitions
- **PE-backed mid-market platforms** are accelerating buy-and-build strategies, with add-ons now representing **~40% of PE buy outs**
- Best-in-class platforms with scalable recurring revenue and automation positioned to **command premium valuations in 2026**



**2026 Technology M&A Outlook:** While megadeals drive headline values, mid-market and smaller transactions account for the majority of M&A volumes. The convergence of record PE dry powder, AI infrastructure build-out, and accelerating platform consolidation positions regional niche leaders and boutique AI implementers as primary deal targets alongside large-cap transactions.

Sources: PwC Global TMT M&A Trends 2026, Bain M&A Report 2026, McKinsey Global M&A Trends 2026, PitchBook 2026 US Private Equity Outlook, GFData, Ropes & Gray AI Global Report H1 2025, EisnerAmper PE Technology Outlook 2026

# Hardware Sub-sector Analysis

Semiconductors, Electronics & Infrastructure

# Hardware M&A transitioned from a cyclical recovery to a strategic "Silicon Renaissance" powered by GenAI compute demand

## 1 Semiconductor Consolidation Accelerating

Chipmakers deployed over **\$10B** in strategic acquisitions in 2025

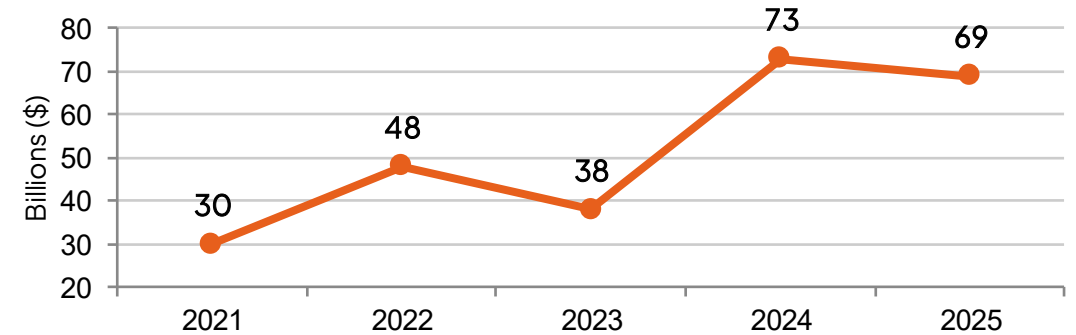
- SoftBank acquired Ampere Computing for **\$6.5B**; Qualcomm acquired Alphawave Semi for **\$2.4B**, as chipmakers race to acquire AI-optimized capabilities
- AMD executed a **multi-deal acquisition spree** in 2025, acquiring Enosemi (silicon photonics), Brium (AI software optimization), and Untether AI (inference chips)
- Mid-market edge AI acquisitions accelerated: **NXP acquired Kinara for \$307M**, gaining discrete neural processing units as the **edge AI processor market** is expected to **roughly double** by decade-end

## 2 Data Center Infrastructure at Record Levels

113 data center transactions totaling **\$69B+** in 2025

- The **\$40B acquisition** of Aligned Data Centers by a BlackRock/Nvidia/xAI-backed consortium was the largest data center deal ever — more than doubling the prior \$16.1B record
- **Mid-market cooling startups** attracted major PE interest: Xnrgy Climate Systems secured BlackRock-Temasek backing; Daikin acquired liquid cooling specialist Chilldyne; and Legrand completed **11+ data center acquisitions** across 2024-2025
- **84% of deal value** in the data center sector was driven by **private equity funding**, reflecting the growing importance of outside capital to fund AI-driven growth


Data Center M&A Deal Value (2021-2025)



## 3 Big Tech Capex Fueling Upstream Acquisitions

**\$320B+** deployed by hyperscalers into AI infrastructure in 2025

- **Hyperscaler capex** is cascading into **mid-market M&A**: \$320B+ in AI spending is creating acquisition opportunities across specialized **component, packaging, and networking companies**
- Global semiconductor sales reached a record **\$791.7B in 2025** (+25.6% YoY), with logic chips growing 39.9% and memory 34.8% — both driven by AI workloads
- Mid-market **fabless chipmakers** and **modular infrastructure companies** are emerging as strategic targets, offering specialized IP in edge computing and filling critical AI supply chain gaps

 **The Silicon Renaissance:** AI compute demand, semiconductor consolidation, and data center buildout have repositioned hardware M&A from cyclical recovery to strategic growth engine, with mid-market edge AI and cooling companies emerging as prime targets.

Sources: Morrison Foerster M&A in 2025 and Trends for 2026, McKinsey Technology M&A 2026, Data Center Knowledge / S&P Market Intelligence, Data Center Dynamics 2025 M&A Review, TechCrunch US Semiconductor Timeline 2025, SIA/WSTS Global Semiconductor Sales Data, NXP Semiconductors, Omdia, Daikin Applied, Legrand, XNRGY Climate Systems

# Sovereign security and AI compute demand converge around domestic capacity, edge intelligence, and defense modernization in Hardware M&A



## Sovereign Supply Chain Reshoring

- CHIPS Act has announced **\$33B+ in grants** across 52 projects to 35 companies, spanning fabrication, materials, packaging, and equipment
- **Key mid-market CHIPS recipients:** Polar Semiconductor (\$123M), SkyWater Technology (\$16M), and Microchip Technology (\$162M)
- Acquirers are prioritizing targets with **onshore manufacturing**, cleared talent, and resilient supply networks



## Edge Computing Acquisitions

- Edge computing market projected to reach **\$25.6B in 2026** at 34% CAGR, with hardware commanding **34% market share**
- **97% of US CIOs** have edge AI deployed or on their roadmap, with 90% reporting budget increases for 2025
- **Edge AI** market projected to grow from \$35.8B in 2025 to **\$47.6B in 2026**, led by automotive and industrial demand



## AI-Embedded Automotive & Industrial

- Automotive M&A remains selective, favoring **alliances, JVs, and targeted acquisitions** to advance electrification, software-defined vehicles, and autonomous driving
- **System integration and data control** represent the primary value lever in the shift toward software-defined vehicles
- **Mid-market automotive suppliers** are prime consolidation targets in ADAS, infotainment, and connectivity



## Domestic Manufacturing Premium

- CHIPS awards to **X-Fab** (\$50M) and **Rogue Valley Microdevices** (MEMS for defense/biomedical) strengthen the domestic base
- GlobalFoundries received CHIPS funding for the first U.S. high-volume **GaN-on-Silicon facility**, serving EVs, 5G/6G, and power grids
- Section 48D **advanced manufacturing tax credit expires in 2026**, intensifying near-term acquisition activity for incentive-eligible domestic assets



## Defense-Commercial Convergence

- **Defense modernization** drives M&A into C4ISR, secure cloud/edge infrastructure, AI-enabled systems, and cyber/electronic warfare
- Defense tech VC surged to a record **\$49.1B in 2025** (from \$27.2B), with mid-market exits via acquisition reaching **\$54.4B**
- **Mid-market dual-use boutiques** in drones, autonomous systems, and ruggedized electronics are **prime targets**, Tier 2 defense contractors and PE firms



Hardware companies with **domestic manufacturing, edge AI processing, and compound semiconductor expertise** are positioned as **strategic assets** as sovereign security and AI compute demand converge in 2026.

Sources: SIA CHIPS Act Investment Tracker, PwC Global M&A Trends 2026, Fortune Business Insights, ZEDEDA/Censuswide, NIST CHIPS for America, Intel, Manufacturing Dive, PitchBook

# SaaS Sub-sector Analysis

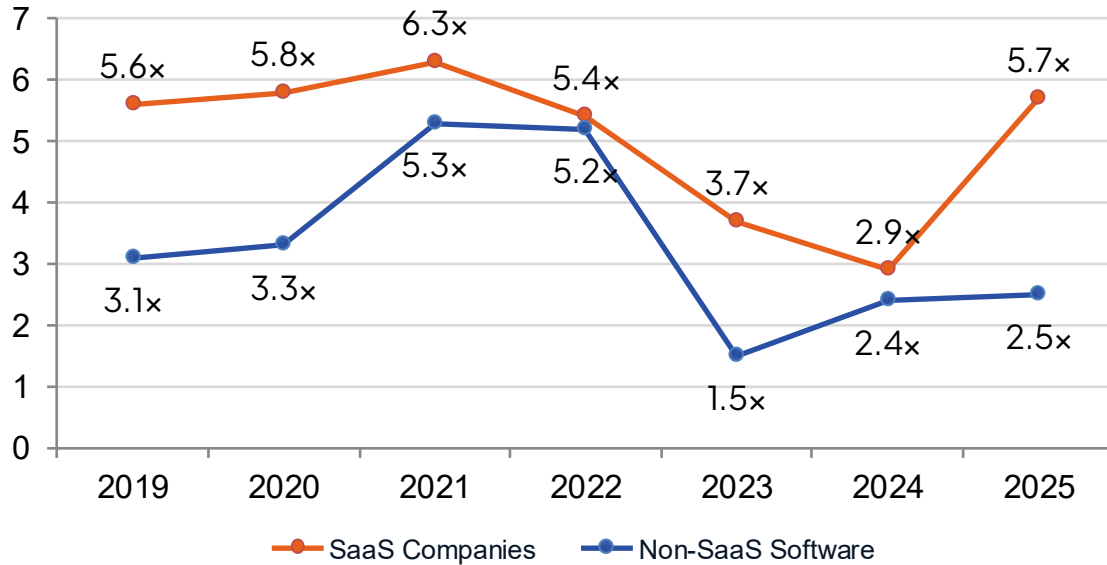
Cloud Software & Subscription-Based Business Models

# SaaS valuations have recalibrated towards profitable growth, rewarding companies that balance scaling with efficiency

Private SaaS M&A median EV/Revenue multiples are recovering on the strength of profitable, high-quality targets

The 'Rule of 40' has become the defining valuation benchmark, sharply separating premium targets from discounted assets

Private SaaS M&A Median EV/Revenue Multiples (2019–2025)



- **Valuation floor reset in 2024:** Private SaaS M&A multiples hit a decade low of **2.9x EV/Revenue** in 2024, down 54% from the 2021 peak of 6.3x, with mid-market targets facing the most stringent profitability screens
- **Profitable mid-market SaaS commands a premium:** In Q1 2023, profitable public SaaS companies traded at a **7.8x median EV/Revenue**, a 16% premium over the 6.7x median for unprofitable peers
- **Rule of 40 drives outsized returns at mid-market scale:** Each 10-point improvement in a company's Rule of 40 score corresponds to approximately a **1.1x increase in EV/Revenue multiple**, with mid-market companies benefiting disproportionately from leaner cost structures
- **SaaS premium rebounding:** SaaS companies recaptured a meaningful valuation premium over non-SaaS software in 2025 (**5.7x vs. 2.5x**), after the premium nearly vanished in 2022–2023 when both categories converged
- **Low-quality assets purged, mid-market discipline rewarded:** Over 3,100 private software deals in 2024 saw the median all-software multiple fall to just **2.6x**, while SaaS-only deals held at **4.1x**, with low-churn mid-market companies emerging as preferred targets

The SaaS M&A market has undergone a structural repricing: Mid-market buyers now systematically reward the Rule of 40 and sustainable unit economics over top-line growth alone, with capital-efficient sub-\$100M platforms capturing premiums in a durable two-tier valuation environment heading into 2026.

Sources: Aventis Advisors SaaS Valuation Multiples 2015–2025, SaaSRIse M&A Report 2025, SaaS Capital Index 2025, Software Equity Group

# 2026 SaaS consolidation will be led by platform-centric deals that offer integrated, AI-native suites

## Key Theme



### Platform Consolidation Replaces Point Solutions

## What It Means for 2026 SaaS M&A

- Mid-market vertical SaaS companies are the **primary roll-up targets** in 2026, with PE-backed platforms acquiring 3–5 point solutions; PE buyers drove nearly 58% of all SaaS M&A in 2025, with firms like Main Capital completing 11 platform acquisitions.
- Vertical SaaS outperforms horizontal SaaS in retention, with top-tier targets achieving **NRR above 120%** and **gross margins exceeding 70%**, making **PropTech, healthcare, and field services** prime consolidation targets.
- End users are driving consolidation by seeking to manage more business through **fewer vendor relationships** with broader service offerings, accelerating the shift from fragmented point solutions to unified platforms.



### AI-Native Integration Commands Premium Valuations

- SaaS companies with **proprietary, in-house AI** integrations will command a **15–24% valuation premium** over those relying on basic API-linked tools. 92% of SaaS companies have launched AI features or have them on their roadmap.
- AI-native SaaS spending surged **75% y-o-y**, reflecting rapid enterprise adoption of platforms with AI core to the product. Premium multiples in 2026 will favor businesses with **durable growth, strong cash flow, and defensible AI capabilities**.
- Long-run median SaaS exit multiples sit at ~4.5x revenue, but top-quartile deals with strong NRR and AI differentiation exceed **8.1x revenue**, underscoring the valuation bifurcation between AI-native and commoditized offerings.



### 2026 Deal Flow Outlook and Buyer Priorities

- Gartner forecasts software spending growth of 15.2% in 2026, signaling renewed buyer confidence. Deal flow will favor larger, scaled platforms with strong retention and clear paths to profitability
- Cross-sector M&A will rise as incumbents in **payments, healthcare, and industrials** acquire SaaS + AI capabilities to remain competitive. Smaller targets will still transact but face **tighter diligence and more earnout-heavy structures**.
- A wider variety of assets is expected to come to market and close in 2026, unlike 2025 where deals closed only for **select high-quality companies**, pointing to a broader and more active deal environment.



**The SaaS M&A landscape in 2026 is defined by a clear bifurcation:** Platforms with proprietary AI, strong unit economics, and integrated workflows will attract aggressive buyer interest and premium multiples, while commoditized or API-dependent tools face valuation compression and substitution risk.

Sources: Brinker & Riemersma State of Martech 2025, SEG 2026 Annual SaaS Report, Aventis Advisors SaaS Valuation Multiples 2025, High Alpha 2025 SaaS Benchmarks Report, Zylo 2025 SaaS Management Index, Deloitte 2026 M&A Trends Survey, Gartner IT Spending Forecast 2026, Software Equity Group

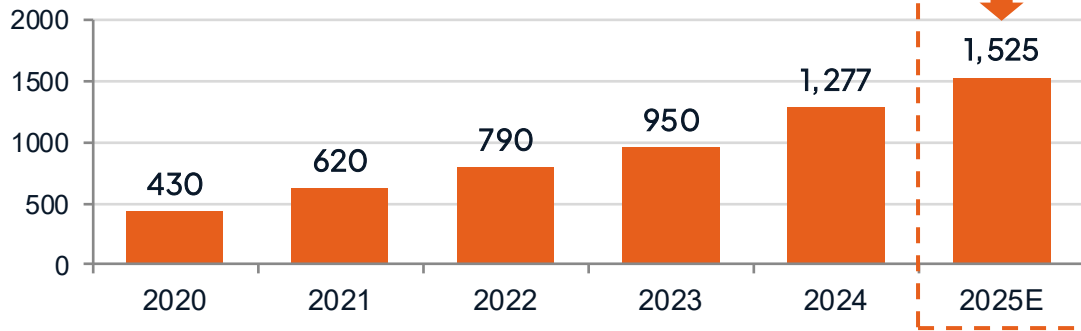
# Artificial Intelligence Sub-sector Analysis

GenAI, Machine Learning, and AI Infrastructure

# AI M&A in 2025 shifted from early-stage venture bets to high-stakes acquisitions of core infrastructure and talent

AI M&A deal volume tripled from 2020 to 2025, driven by surging strategic and financial buyer interest

AI M&A Deal Volume (Number of transactions)

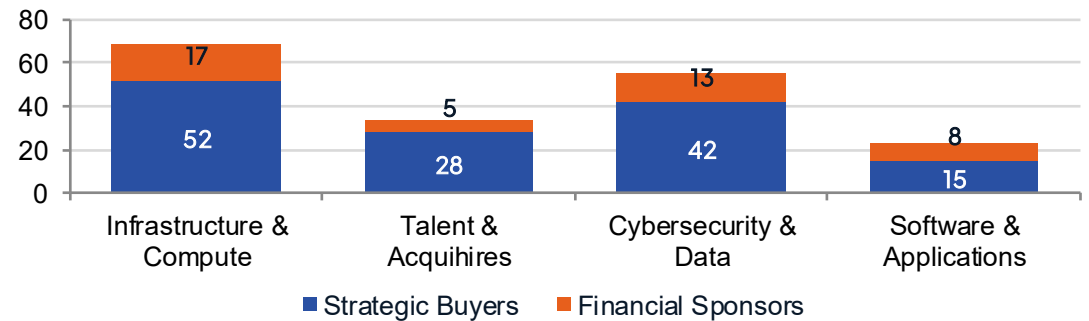


Sources: Corum Group, PitchBook

- AI deal volume grew at a **~29% CAGR** from 2020 to 2025, with PE firms involved in **20%+** of transactions each year
- Mid-market AI transactions accounted for the **vast majority of deal volume** in 2025, even as **~600 deals above \$1B** drove headline value across approximately 47,000 total transactions in a K-shaped market
- Deal value increasingly concentrated in acquiring **specialized engineering teams** and **niche application-layer startups**, as buying proved faster than competing for AI talent directly

2025 deal value concentrated in infrastructure and talent plays, with hybrid structures emerging as a new toolkit

2025 AI Deal Value by Strategic Category (\$B, Disclosed)



Sources: PwC, EY, PitchBook

- Mid-market acqui-hires surged: Accenture completed **23 strategic acquisitions** in fiscal 2025 including NeuraFlash (~510 professionals); Workday acquired Sana for **~\$1.1B** alongside Paradox and Flowise
- Vertical AI spending reached **\$3.5B in 2025** (nearly 3x the \$1.2B invested in 2024), with healthcare alone capturing **\$1.5B** (43% of vertical AI spend)
- Hybrid deal structures (minority stakes, licensing-plus-hiring, compute commitments) replaced traditional outright acquisitions, reshaping the M&A toolkit



**2025 marked a decisive pivot:** While headline AI deal value was driven by megadeals, the mid-market emerged as the primary arena for capability-driven acquisitions, with PE-backed bolt-ons, talent acqui-hires, and vertical AI startups forming the backbone of transaction volume heading into 2026.

Sources: Corum Group The Surging AI M&A market 2025, PwC Global M&A industry trends Outlook 2026, McKinsey 2026 M&A trends, EY US M&A activity insights: December 2025, The AI Talent War: AI Acquisitions Microventures

# Vertical AI applications that deliver proven enterprise ROI are expected to dominate 2026 transaction volume



## High-Growth Verticals Leading Deal Activity

- **Healthcare AI** is the fastest-growing vertical, capturing \$0.22 of every \$1 invested in AI overall, with PE sponsors increasingly targeting mid-market clinical workflow and revenue cycle management platforms
- **Financial services AI** is attracting mid-market acquisitions in credit underwriting, fraud detection, and compliance automation, with vertical solutions delivering measurable ROI
- **Legal tech AI** is seeing accelerated mid-market M&A in contract analysis and document review, though legal AI companies trade at lower multiples than healthcare
- Mid-market vertical AI companies are **outpacing traditional SaaS**, with top performers achieving 70%+ gross margins and replacing manual workflows



## Buyer Discipline Redefining Deal Criteria

- Buyers are demanding **proven enterprise ROI** rather than speculative AI capabilities, with most organizations reporting satisfactory payback within 2-4 years on AI investments
- AI due diligence has become a **core requirement** in mid-market transactions, with buyers assessing proprietary datasets, model performance, compute cost sustainability, and workflow embeddedness as **primary valuation drivers**
- Acquirers are validating whether AI capabilities are truly **proprietary platforms** or merely API-linked wrappers, sharply discounting the latter in negotiations
- Top vertical SaaS platforms achieve **120%+ net revenue retention** while spending less on sales and marketing per dollar of revenue than horizontal peers



## 2026 Mid-Market Valuation & Outlook

- Mid-market vertical AI companies with proprietary ML platforms and strong IP are commanding **premium multiples**, while top-tier assets with workflow integration and high retention can exceed these benchmarks in competitive processes
- "Layered cake" acquisition strategies are emerging as the dominant mid-market playbook, where acquirers purchase vertical AI point solutions to build **integrated industry platforms**
- Average health tech funding rounds increased **42% YoY** from \$20.7M in 2024 to \$29.3M in 2025, reflecting the premium placed on proven **vertical solutions** with measurable enterprise impact
- The market is transitioning from speculative bets to **disciplined, ROI-driven acquisitions** targeting mid-market companies with measurable enterprise impact, scalable delivery and renewal paths



**The Vertical AI Advantage:** As the AI M&A market matures, buyers are pivoting from general-purpose AI bets to vertical applications with proven industry-specific ROI, enterprise-grade compliance, and proprietary data moats. Companies demonstrating measurable impact in healthcare, financial services, and legal tech are positioned to command outsized valuations in 2026.

Sources: Bessemer Venture Partners State of Health AI 2026, Forrester Securing AI's M&A Feeding Frenzy Is On 2025, Skadden M&A in the AI Era 2026, FE International AI Business Valuation Model 2026, Deloitte AI ROI: The paradox of rising investment and elusive returns 2025, Menlo Ventures 2025: State of Gen AI in the Enterprise

# IT Services Sub-sector Analysis

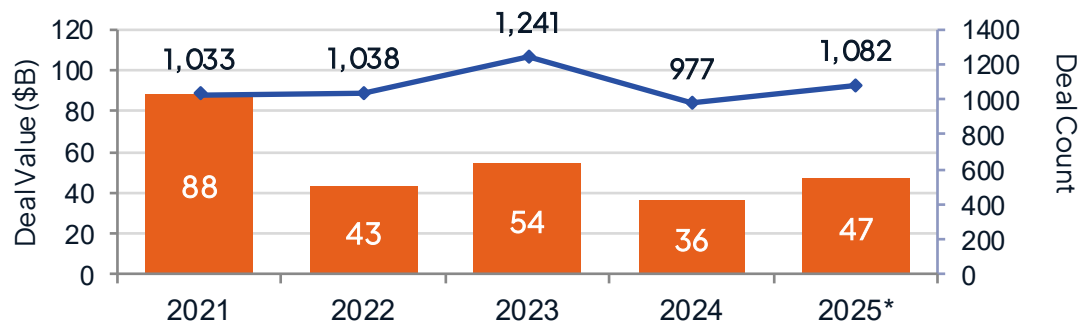
Consulting, Digital Engineering, and Managed Services

# IT Services M&A focused on specialized digital engineering to offset the stagnation of legacy consulting models



Digital transformation services M&A rebounded to \$47.1B annualized in 2025, with deal volumes above pre-pandemic levels

Digital Transformation Services M&A Activity, Deal Value vs Deal Count



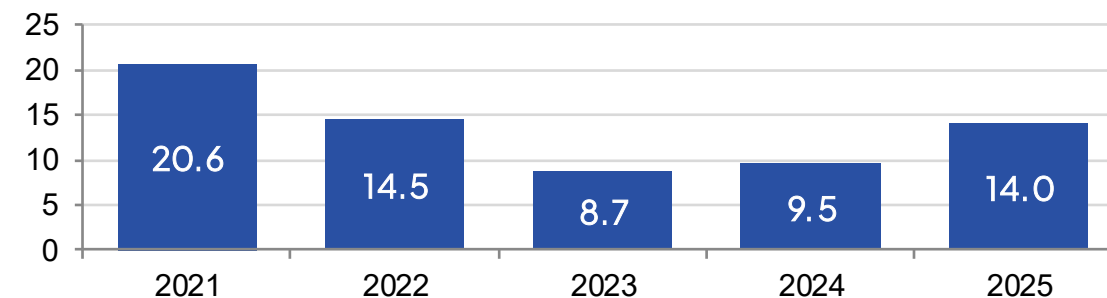
\*Annualized from 11 months of Canaccord data through 11/30/2025

- Legacy IT outsourcing and **traditional consulting models** experienced margin compression and declining buyer interest through 2024–2025
- Digital engineering firms commanded median **EV/Revenue multiples of 2.3x**, nearly double the 1.2x for CX/BPS providers, reflecting premium for specialized capabilities
- Strategic buyers accounted for **82% of all digital transformation M&A** in 2025, signaling acquirer preference for capability-driven bolt-on acquisitions



Cybersecurity venture funding surged 47% YoY to \$13.97B across 392 rounds in 2025, the strongest funding year since 2022

Cybersecurity Venture Funding (\$B)



- Mid-market **capability-driven deals** accelerated in 2025, exemplified by Sunstone Partners' acquisition of KMS Technology, as PE sponsors target **talent-rich boutiques** to scale GenAI delivery capacity
- Late-stage rounds accounted for nearly **half of all investment dollars** in 2025, with 30 rounds exceeding \$100M, signaling investor willingness to scale proven platforms
- PwC noted a shift "**from outsourcing to orchestration**" as IT services dealmaking pivoted toward unified cloud, data, and AI platforms



**The IT services market is bifurcating sharply:** acquirers are paying premium multiples for firms with specialized digital engineering, cybersecurity, and AI implementation capabilities, while legacy consulting assets face declining interest and compressed valuations. Notable 2025 deals include NTT/NTT Data Group (\$16.3B) and Sunstone/KMS, underscoring that capability-driven M&A spans the full deal-size spectrum.

Sources: Canaccord Genuity Digital Transformation Services Market Update (Dec 2025), Pinpoint Search Group, PwC TMT M&A Trends 2026, SecurityWeek

# Mid-market IT Services consolidation will accelerate in 2026 as global players race for GenAI expertise

## Global Acquirers Targeting Mid-Market AI Talent



- Large IT services firms are acquiring specialized boutiques to fill critical gaps in **GenAI deployment** and operationalization, with Accenture alone completing over **20 acquisitions in 2025**
- Venture-backed platforms such as Shield Technology Partners raised **\$100M+** to acquire MSPs and embed AI engineering across their platforms via OpenAI partnership
- Per McKinsey, **88% of companies are already using AI** in at least one business function, creating surging demand for implementation partners
- Buyers are pursuing "**acqui-hires**" and **talent-rich targets** to rapidly scale GenAI capabilities rather than building organically over **3–5 year timelines**


## Services Bottleneck Drives Urgency



- Enterprise AI adoption is constrained not by technology availability but by a severe **shortage of skilled implementation workforces**
- Digital talent demand continues to far outpace supply as cloud, data, and GenAI initiatives create a **compounding skills gap** across industries
- Legacy consulting models are stagnating while firms specializing in **AI implementation and cloud migration** command premium deal multiples — nearly double those of CX/BPS providers
- AI moved from talking point to **deal driver in IT services M&A** during H2 2025, with strategic buyers accounting for the majority of digital transformation transactions

## 2026 Consolidation Forecast

- Mid-market IT services deals will intensify as **PE dry powder exceeding \$2T** seeks deployment in high-margin, talent-rich service platforms
- Cybersecurity services will remain a parallel consolidation theme, with AI-enhanced security operations creating **cross-sell opportunities** for acquirers
- **Cross-border acquisitions** will accelerate as global players target **regional specialists** in Japan, Europe, and ANZ markets for local GenAI delivery
- **Workforce reskilling and upskilling platforms** are emerging as a **new M&A category**, exemplified by Accenture's acquisitions of TalentSprint and Aidemy

 57% of tech dealmakers expect technology deal count to increase over the next 12 months. With 2025 US deal value concentrated in mega-transactions, ample mid-market opportunity remains for corporate and PE buyers prepared to act decisively in 2026.

Sources: Morrison Foerster Tech M&A Survey 2025, McKinsey State of AI 2025, Canaccord Genuity, PwC TMT M&A Trends 2026, SecurityWeek

# Get In Touch

## Contact

Reach out to us to learn more and set up a meeting. We're excited to hear about your goals and explore how we can help you achieve them.



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