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Building, Backing, and Buying AI

How Big Tech and enterprise software companies are diverging and what it means for the M&A landscape

PitchBook is a Morningstar company providing the most comprehensive, most accurate, and hard-to-find data for professionals doing business in the private markets.

Key takeaways

- Big Tech has redirected AI capital toward infrastructure and strategic partnerships rather than acquisitions. The Big Five's global VC-backed acquisition count declined from a peak of 33 in 2017 and 2018 to seven in 2024. Combined capital expenditure for Google, Microsoft, Amazon, and Meta is projected to reach nearly \$600 billion in 2026, leaving limited capacity for acquisition premiums. The group has shifted toward large minority investments and compute-linked partnerships to secure AI positioning.
- NVIDIA is acquiring to extend and entrench the AI infrastructure platform on which the rest of the market depends. Since 2022, NVIDIA has made 21 acquisitions (15 of them AI-related) spanning workload orchestration, model optimization, and inference. Its \$20 billion licensing agreement with Groq in December 2025 reflects a company expanding from training into inference workloads, making its infrastructure more capable, efficient, and harder to displace.
- AI-driven disruption to per-seat SaaS economics is reshaping who acquires and why in the enterprise software market. AI agents can now execute workflows that previously required dedicated software subscriptions, compressing the licensing economics that defined SaaS for two decades. The iShares Expanded Tech-Software ETF fell 29.6% between December 2025 and February 2026, and Morningstar downgraded six software companies from wide to narrow moat in March 2026.
- Among enterprise software incumbents, M&A has emerged as a key response to AI disruption for companies with the financial capacity and platform logic to act. Salesforce, Snowflake, Databricks, ServiceNow, and Workday have all increased the AI share of their recent deal activity, while companies facing structural or financial headwinds, including Cisco and Intel, have pulled back. Salesforce is the second-most-active corporate acquirer of VC-backed AI startups globally by deal count, with 18 of its 23 acquisitions since 2022 carrying an AI tag.



Data scope

This note draws on both VC-backed M&A data and broader M&A data that is not limited to VC-backed targets. Both datasets are used to provide an accurate and comprehensive picture of acquisition activity and strategy across Big Tech, NVIDIA, and enterprise software incumbents. While the majority of AI startup acquisitions involve VC-backed companies, some acquired AI companies were PE-backed or had no institutional investor backing at the time of acquisition. Certain adjacent strategic deals, including hardware and infrastructure transactions, may also fall outside the VC-backed universe.

Where data refers specifically to VC-backed M&A activity, it is labeled as such. All other M&A references reflect general acquisition activity.

- Frontier AI labs and large AI-native companies have become meaningful acquirers, targeting companies with proprietary data, deep workflow integration, or infrastructure capability that cannot be quickly replicated by a model update. OpenAI and Anthropic are acquiring to build the vertical product depth that model development alone cannot provide. The profile of targets pursued, including Torch Health and Coefficient Bio, signals which capability gaps the market treats as strategically urgent.
- Regulatory scrutiny of talent acquisition structures and geopolitical intervention in cross-border deals represent two newly emerged risk categories for AI M&A. The Federal Trade Commission's investigation into Microsoft's deal with Inflection AI and the DOJ's probe into Google's talent acquisition of Character.AI's team signal that talent-and-license deal structures face closer antitrust scrutiny. China's order to unwind Meta's \$2 billion Manus acquisition in April 2026 establishes that corporate domicile alone cannot insulate cross-border AI deals from regulatory intervention.
- Elevated private market valuations have placed the top-tier AI companies beyond conventional M&A reach, shifting the rational response for large buyers from acquisition to investment. Recent private rounds have implied multiples that most strategic acquirers will not meet without a highly specific capability fit or concrete financial justification. For the broader AI startup universe, exit prospects depend on whether a target can demonstrate those metrics or align with the platform road maps of a concentrated group of well-capitalized acquirers.

Introduction

AI is redefining competitive advantage in the US tech industry, and that shift is reshaping the investment and M&A landscape in terms of who is backing and acquiring, what they are backing and acquiring, and why. Companies that control the frontier models, data, and infrastructure that enterprises rely on are positioned to capture disproportionate value over the coming years. The race to establish those positions is driving urgency across the corporate spectrum but producing fundamentally different strategic responses depending on where a company stands financially, competitively, and within the AI stack.

Big Tech companies (excluding Apple) are directing capital toward building and backing frontier AI models and the compute infrastructure those models require, which is further discussed in the [“Big Tech: Building and backing, not buying”](#) section. Established enterprise software companies are acquiring to close AI capability gaps, though the pace and motivation vary considerably across the group. NVIDIA occupies a separate position. It is expanding the AI infrastructure platform that underpins model training and inference across the industry. Beyond these players, frontier AI labs have also emerged as active acquirers in their own right, targeting vertical product depth that model development alone cannot provide. The result is a market where



the identity of the acquirer signals strategic intent, and where a company's exit and partnership prospects depend as much on its core product as on the buyer population it is positioned to attract.

This note examines how those diverging strategies are playing out across the corporate landscape, the structural and regulatory forces shaping them, and what they mean for AI companies evaluating exit options. It builds on the [US VC-Backed M&A Outlook](#), which documented a sustained pullback in large corporate acquisitions attributable to elevated interest rates, regulatory pressure, and macroeconomic uncertainty. Since then, a clearer picture has developed of which acquirers have pulled back and which have accelerated, and the structural logic behind each.

Top corporate acquirers of global VC-backed AI companies by AI acquisition count (2016-2026 YTD)

Acquirer	AI acquisition count	HQ location	Investor type
Apple	32	Cupertino, US	Corporation
Salesforce	24	San Francisco, US	Corporation
Meta Platforms	19	Menlo Park, US	Corporation
Microsoft	18	Redmond, US	Corporation
Nvidia	15	Santa Clara, US	Corporation
Snowflake	14	Menlo Park, US	Corporation
ServiceNow	12	Santa Clara, US	Corporation
Amazon.com	12	Seattle, US	Corporation
Cisco Systems	12	San Jose, US	Corporation
Intel	10	Santa Clara, US	Corporation

Source: PitchBook • Geography: US • As of May 6, 2026

Top corporate acquirers of global VC-backed AI companies by aggregate AI acquisition value (2016-2026 YTD)

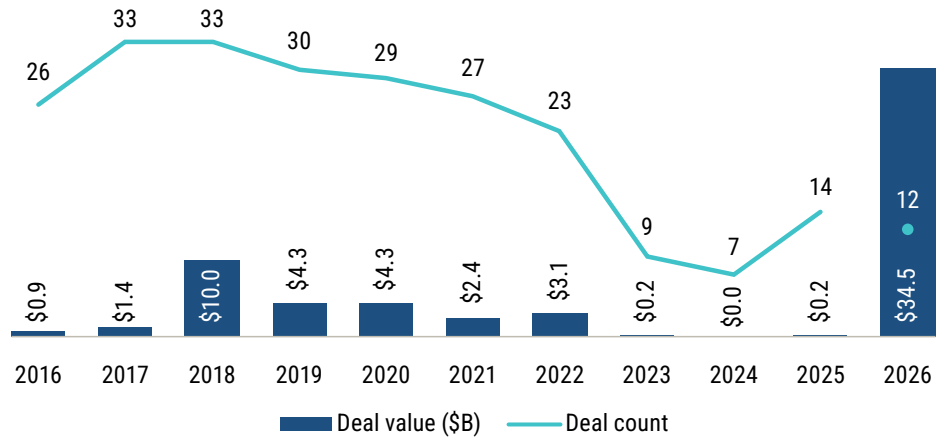
Acquirer	AI acquisition value (\$B)	HQ location	Investor type
SpaceX	\$250.5	Starbase, US	VC-backed company
NVIDIA	\$21.8	Santa Clara, US	Corporation
Microsoft	\$11.6	Redmond, US	Corporation
Marvell Technology	\$7.5	Santa Clara, US	Corporation
OpenAI	\$8.1	San Francisco, US	VC-backed company
Commure	\$6.0	Mountain View, US	VC-backed company
Palo Alto Networks	\$9.0	Santa Clara, US	Corporation
Meta Platforms	\$5.9	Menlo Park, US	Corporation
Aurora Innovation	\$4.2	Pittsburgh, US	Corporation
Workday	\$5.9	Pleasanton, US	Corporation

Source: PitchBook • Geography: US • As of May 6, 2026



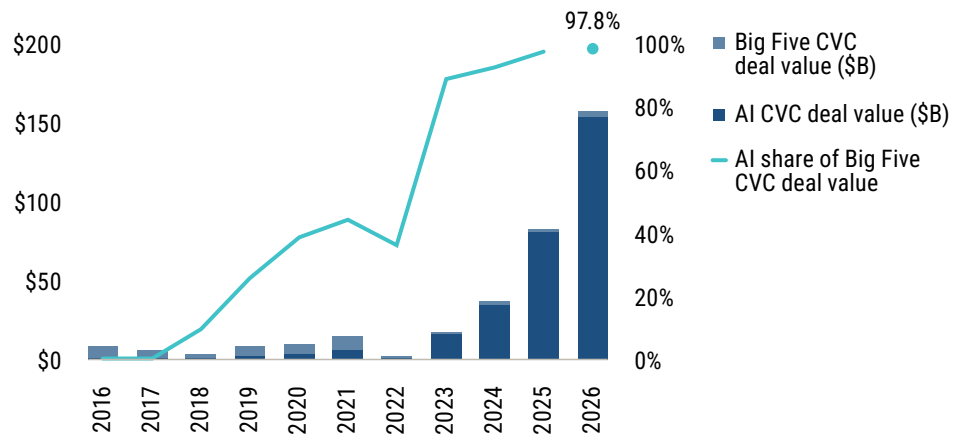
Big Tech: Building and backing, not buying

VC-backed M&A activity by the Big Five



Source: PitchBook • Geography: Global • As of May 6, 2026

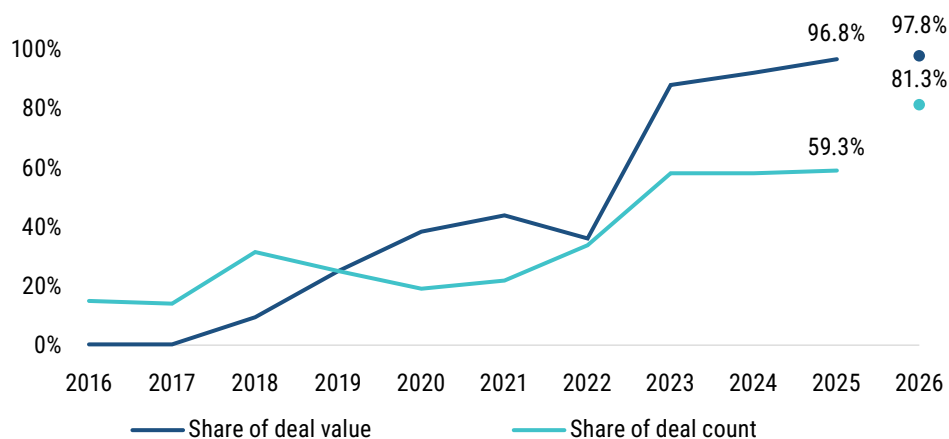
AI CVC deal value as a share of all CVC deal value with Big Five participation



Source: PitchBook • Geography: US • As of May 6, 2026



AI CVC deal activity as a share of all CVC deal activity with Big Five participation



Source: PitchBook • Geography: US • As of May 6, 2026

AI has fundamentally altered how Amazon, Apple, Google, Meta, and Microsoft—collectively known as the Big Five—think about growth and competitive positioning, further compounding a pullback in acquisition activity that was already underway. Google and Meta are developing their own frontier large language models (LLMs) while also deploying capital externally. Google has invested in Anthropic alongside its Gemini development. Meta led a \$14.3 billion Series G in Scale AI in June 2025 and acquired additional secondary stakes, deepening its position in the data infrastructure layer. Microsoft’s primary external commitment is OpenAI; Amazon has backed both OpenAI and Anthropic through large compute-linked investments. Both companies develop proprietary model families in parallel. All four are directing the bulk of their AI capital toward building and backing rather than buying. Apple, by contrast, has remained a device-first company, acquiring AI capability that runs on its own hardware.

The Big Five’s global VC-backed acquisition count peaked at 33 in 2017 and 2018 and declined to seven in 2024 before recovering to 14 in 2025 and 12 in 2026 YTD. While annualized pace suggests a YoY increase, the recovery is uneven: Meta, Amazon, and Google account for the bulk of 2026 YTD activity, while Microsoft and Apple remain largely inactive. The pullback preceded the current AI investment wave and has since been reinforced by the scale of AI infrastructure spending. That this persists under a more permissive regulatory environment reflects structural forces that vary in nature across the group.



The Big Five are positioning their cloud infrastructure as the default compute layer of AI, regardless of which model prevails.

Apple's M&A activity peaked between 2013 and 2020 at nine to 14 deals per year. It then dipped sharply in 2021 and 2022 to only two deals per year but has recovered meaningfully since 2023. Its acquisition composition has shifted markedly. 57% of its acquisitions from 2022 through 2026 YTD are AI-related, compared with 40% during the 2016-2021 period. DarwinAI, acquired by Apple in Q1 2024, is representative of this trend. The Canadian startup specialized in making AI models smaller and faster for on-device processing, directly in line with Apple's hardware-first strategy. The pattern is consistent across Apple's recent deals, with targeted acquisitions of AI capability designed to run on its devices rather than through the cloud.

Amazon, Google, and Microsoft have made large minority investments in leading foundation model companies. These deals are structured primarily as compute commitments: Each foundation model company agrees to run on the investing company's cloud infrastructure, converting investment capital into long-term infrastructure revenue. The Big Five are positioning their cloud infrastructure as the default compute layer for AI, regardless of which model prevails. Meta's Scale AI investment follows a different logic, targeting data infrastructure rather than a frontier model relationship. Amazon's acquisition activity reflects a similar orientation toward organic development. AI deals as a share of its overall M&A activity have risen from 15% in 2016 through 2021 to 36% from 2022 through 2026 YTD. However, the absolute numbers remain modest for a company of its scale, as Amazon's primary AI bets, including its managed foundation model service Bedrock, are internally developed.

Competing at the infrastructure and model layer requires massive, sustained capital commitment, which leaves little room for conventional startup acquisitions. Microsoft illustrates this most clearly. Historically one of the most active acquirers in the tech industry, Microsoft has made 260 acquisitions throughout its history, including 70 between 2016 and 2021. Since 2022, that pace has contracted significantly, with only 13 acquisitions through 2026 YTD, of which five are AI-related. Microsoft is now building AI capability through its OpenAI partnership and internal Copilot development rather than pursuing acquisitions. Startups building foundation models have also grown to valuations that make acquisition structurally impractical because they are too large and too embedded in competing infrastructure relationships to be absorbed by a single organization.

Meta also pulled back from startup acquisitions but follows a more targeted approach for specific capability gaps rather than a broad retreat from M&A. Meta was highly active between 2010 and 2014, then gradually tapered through the mid-2010s, with a modest second wave around 2019 to 2021 concentrated in virtual reality and augmented reality. Since 2023, deal count dropped sharply, with only eight acquisitions from 2023 through 2026 YTD versus 45 in the 2016-2021 period. Notably, all six Meta acquisitions in 2025 and 2026 to date are AI deals, including Rivos and Assured Robot Intelligence. Rivos is a custom silicon play targeting AI workloads, and Assured Robot Intelligence reflects Meta's push into physical AI and autonomous robotic systems.



The Big Five's top VC-backed acquisitions by exit value

Company	Close year	Exit value (\$M)	Vertical(s)	Acquirer	HQ location
Wiz	2026	\$32,000.0	SaaS, cybersecurity	Google	New York, US
GitHub	2018	\$7,500.0	AI, cloudtech & DevOps, SaaS	Microsoft	San Francisco, US
Rivos	2026	\$2,500.0	AI	Meta Platforms	Santa Clara, US
Looker	2019	\$2,400.0	Big Data, SaaS, TMT	Google	Santa Cruz, US
Manus	2025	\$2,000.0	AI, SaaS	Meta Platforms	Singapore
Affirmed Networks	2020	\$1,350.0	Internet of Things	Microsoft	Acton, US
Zoox	2020	\$1,300.0	AI, autonomous cars, mobility tech, SaaS	Amazon.com	Foster City, US
CTRL-Labs	2019	\$1,000.0	AI	Meta Platforms	New York, US
Xandr	2022	\$1,000.0	Adtech, marketing tech	Microsoft	New York, US
Ring	2018	\$1,000.0	Internet of Things, industrials, mobile, TMT	Amazon.com	Hawthorne, US
Kustomer	2021	\$1,000.0	AI, mobile, marketing tech, SaaS	Meta Platforms	Short Hills, US
Raxium	2022	\$1,000.0	AR, VR	Google	Fremont, US
PillPack	2018	\$753.0	Digital health, e-commerce, mobile, SaaS, TMT	Amazon.com	Manchester, US
Souq	2017	\$583.0	E-commerce, TMT	Amazon.com	Dubai, UAE
Xamarin	2016	\$500.0	Mobile, TMT	Microsoft	San Francisco, US
RiskIQ	2021	\$500.0	Mobile, SaaS, cybersecurity	Microsoft	San Francisco, US
Siemplify	2022	\$500.0	SaaS, cybersecurity	Google	New York, US
Within	2021	\$400.0	AR, mobile, TMT, VR	Meta Platforms	Los Angeles, US
Shazam	2018	\$400.0	Audiotext, mobile, & TMT	Apple	London, UK
Giphy	2020	\$315.0	SaaS & TMT	Meta Platforms	New York, US
Wondery	2020	\$300.0	TMT	Amazon.com	Los Angeles, US
SwiftKey	2016	\$250.0	AI, Big Data, mobile, SaaS, TMT	Microsoft	London, UK
BreezoMeter	2022	\$250.0	Adtech, climate tech, cleantech, LOHAS & wellness, mobile	Google	Haifa, Israel
Pring Japan	2021	\$226.1	Fintech	Google	Tokyo, Japan
Xnor.ai	2020	\$200.0	Advanced manufacturing, AI, Big Data, mobile, robotics & drones	Apple	Seattle, US

Source: PitchBook • Geography: Global • As of May 6, 2026



According to Morningstar research, combined AI capital expenditure for four of the Big Five—Google, Microsoft, Amazon, and Meta—grew from close to \$100 billion in 2021 to more than \$350 billion in 2025, with forecasts projecting nearly \$600 billion in capital spending for those four firms combined in 2026.¹

The Big Five: Strategic AI positioning

- **Microsoft:** The company is forming deep external partnerships with foundation model companies, with OpenAI as its primary partner. It is also developing proprietary models in parallel. Its acquisition activity has declined sharply since 2022, which is consistent with a company redirecting capital toward building and creating partnerships rather than buying.
- **Amazon:** Positioned primarily as AI infrastructure, it is backing both OpenAI and Anthropic through compute-linked investments, while developing its own model families. The strategy is to remain the dominant cloud provider for AI workloads regardless of which foundation model prevails.
- **Google:** It is developing Gemini as a proprietary frontier LLM while investing in Anthropic to secure a cloud relationship with the leading independent foundation model company. The Wiz acquisition is a separate cloud market share play, as discussed further in this section.
- **Meta:** The company is building and open-sourcing its own LLM family (Llama series) rather than backing external foundation model companies, betting that commoditizing the model layer strengthens its position on distribution and proprietary data. Recent acquisitions have shifted toward AI hardware and infrastructure targets, reflecting a selective approach to buying capability that its internal build program cannot efficiently replicate. Its announced acquisition of Manus was ordered to be unwound by China's National Development and Reform Commission (NDRC) in April 2026—see the [“Regulatory and geopolitical challenges”](#) section.
- **Apple:** It is acquiring AI capability that runs on its own hardware, consistent with its device-centric strategy, rather than investing in cloud-based frontier model companies.

M&A implications of Big Tech's AI strategy

Big Tech's infrastructure spending compounds its shift away from actively making acquisitions. According to Morningstar research, combined AI capital expenditure for four of the Big Five—Google, Microsoft, Amazon, and Meta—grew from close to \$100 billion in 2021 to more than \$350 billion in 2025, with forecasts projecting nearly \$600 billion in capital spending for those four firms combined in 2026.¹



Big Tech high-grade bond volume (\$B)

Year	All	Google	Amazon	Meta	Microsoft
2011	\$5.3	\$3.0	\$0.0	\$0.0	\$2.3
2012	\$5.3	\$0.0	\$3.0	\$0.0	\$2.3
2013	\$5.2	\$0.0	\$0.0	\$0.0	\$5.2
2014	\$7.0	\$1.0	\$6.0	\$0.0	\$0.0
2015	\$23.8	\$0.0	\$0.0	\$0.0	\$23.8
2016	\$21.8	\$2.0	\$0.0	\$0.0	\$19.8
2017	\$33.0	\$0.0	\$16.0	\$0.0	\$17.0
2018	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
2019	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
2020	\$20.0	\$10.0	\$10.0	\$0.0	\$0.0
2021	\$18.5	\$0.0	\$18.5	\$0.0	\$0.0
2022	\$31.0	\$0.0	\$21.0	\$10.0	\$0.0
2023	\$8.5	\$0.0	\$0.0	\$8.5	\$0.0
2024	\$10.5	\$0.0	\$0.0	\$10.5	\$0.0
2025	\$67.5	\$22.5	\$15.0	\$30.0	\$0.0
2026	\$82.0	\$20.0	\$37.0	\$25.0	\$0.0

Source: PitchBook | LCD • Geography: US • As of May 6, 2026

Bond issuance tells a parallel story. Google, Amazon, Meta, and Microsoft together issued \$67.5 billion in senior debt in 2025, more than 6x their combined 2024 issuance of \$10.5 billion. In the first four months of 2026 alone, the same group issued \$82 billion in investment-grade bonds, already surpassing the full-year 2025 figure by 21.5%. Several are also tapping overseas bond markets, with Google issuing yen-denominated bonds and Amazon completing Swiss franc issuance. Microsoft remains the notable outlier, largely self-funding its AI investment through operating cash flows and preserving balance sheet flexibility as a result. Capital allocated at this scale toward infrastructure financing leaves little room for the large acquisition premiums that strategic M&A would require, further entrenching the build-and-back posture that now defines Big Tech's AI strategy.

The elevated infrastructure spend has redirected external capital deployment rather than crowding it out. These companies have shifted toward large minority investments to secure strategic positioning. AI's share of CVC activity across the group rose from 59.3% in 2025 to 81.3% in 2026 YTD. These are not typical CVC deals. Microsoft's nearly 30% stake in OpenAI and Meta's Scale AI investment represent strategic commitments closer to partnership or infrastructure guarantees than conventional minority investments.



Google’s \$32 billion acquisition of Wiz stands out as an exception. It is a cloud market share play: Google Cloud trails AWS and Azure, and Wiz converts enterprise security relationships into Google Cloud workloads. It should not be read as signaling a broader return to Big Tech startup acquisition activity.

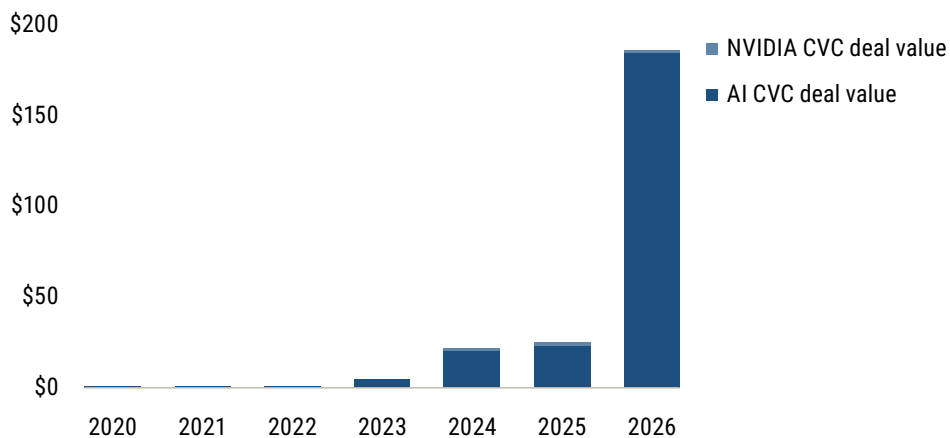
For the wider AI startup universe, [elevated private market valuations](#) raise the bar for strategic acquirers. Recent private rounds imply multiples that most incumbents will not pay without clear financial justification or a highly specific capability fit, making exit prospects increasingly dependent on a startup’s ability to align with the platform priorities of a small number of well-capitalized buyers.

NVIDIA: Acquiring to extend the AI infrastructure stack

NVIDIA occupies a singular position in the AI landscape. As the dominant supplier of graphics processing unit (GPU) infrastructure that powers model training and inference globally, its accelerating M&A activity reflects a company actively extending that dominance across the full AI stack.

NVIDIA was barely acquisitive before 2020, recording only seven acquisitions between 2016 and 2021. Since 2022, it has made 21 acquisitions—15 (or 71%) of which are AI-related, and every acquisition since December 2024 has been an AI company. The deals span the full AI infrastructure stack: Run:AI added workload orchestration; OctoAI, Deci, and CentML extended its position in model optimization and deployment; and SchedMD, the developer of Slurm, added the open-source workload manager that foundation model developers rely on to manage training and inference at scale. In December 2025, NVIDIA entered into a \$20 billion licensing agreement with AI chip startup Groq, acquiring its inference technology and key engineering talent. The deal is structured as a nonexclusive IP license combined with a talent acquisition rather than a conventional acquisition, but its scale and strategic intent are consistent with NVIDIA’s broader posture. NVIDIA is consistently acquiring companies that make its core GPU infrastructure more capable, more efficient, and harder to displace.

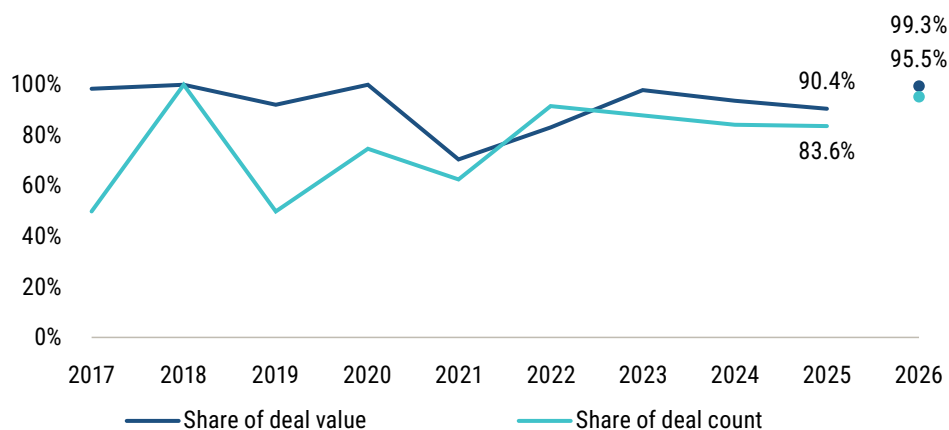
AI and NVIDIA CVC deal value (\$B)



Source: PitchBook • Geography: US • As of May 6, 2026



AI CVC deal activity as a share of all CVC deal activity with NVIDIA participation



Source: PitchBook • Geography: US • As of May 6, 2026

NVIDIA's venture investment activity reflects the same logic. By investing across the AI stack, from frontier model labs to robotics to infrastructure tooling, NVIDIA is cultivating demand for its own products while deepening relationships with the companies most likely to become its largest customers. AI has come to dominate that activity almost entirely. AI accounted for 95.5% of NVIDIA's US CVC deal count in 2026 YTD and 99.3% of deal value. Deal count grew from 12 in 2022 to 55 in 2025, with 24 deals already recorded in 2026 YTD, while AI CVC deal value expanded from \$494.7 million in 2022 to \$22.9 billion in 2025. Its portfolio spans frontier model labs including OpenAI, Anthropic, xAI, and Mistral; physical AI and robotics companies including Figure, Wayve, and Skild AI; and infrastructure and developer tooling companies such as Cursor and Crusoe. The strategic rationale differs from the compute-commitment logic that drives Big Five minority investments. Amazon, Google, and Microsoft invest in frontier model companies to secure cloud workloads. NVIDIA invests to secure chip demand: every company it backs will need GPUs to train and run its models, and early-stage investment deepens those relationships before they become procurement decisions. Where the Big Five are buying infrastructure relationships, NVIDIA is cultivating them from the ground up.

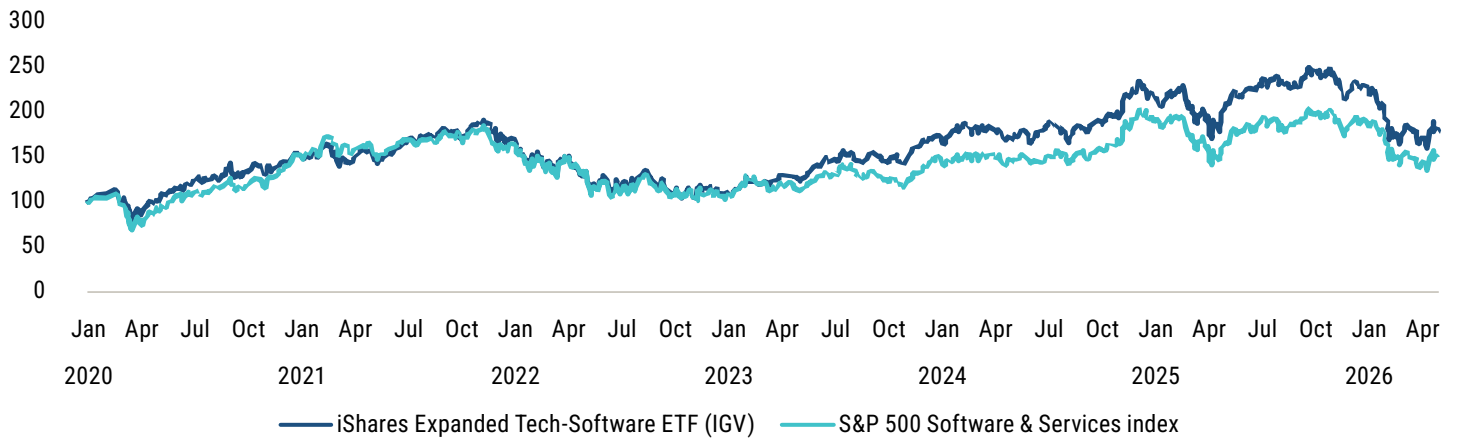
NVIDIA is using M&A and venture investment together to expand the platform on which all AI is built. Its stock has appreciated more than tenfold since early 2023, expanding both its market capitalization and its capacity to use equity as acquisition currency. For companies building in AI infrastructure, compute efficiency, and workload management, NVIDIA's accelerating acquisition pace represents an increasingly active exit and partnership pathway.



Enterprise software incumbents: Acquiring to compete

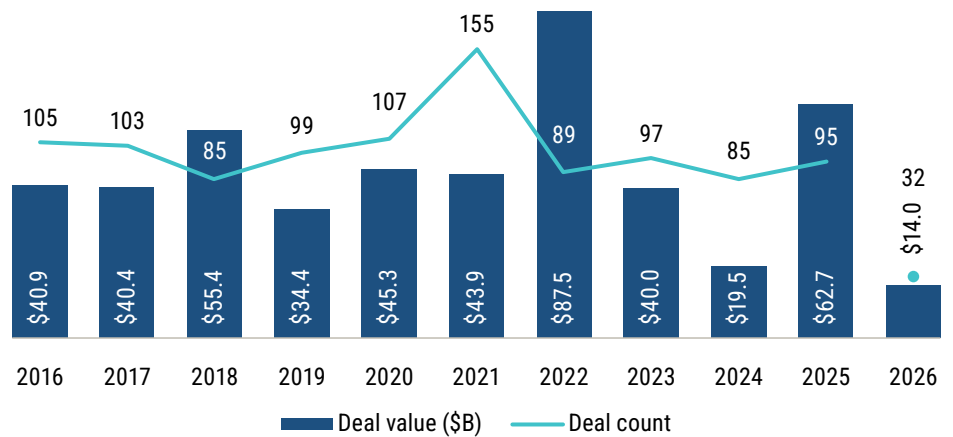
The impact of AI adoption on established enterprise software

iShares Expanded Tech-Software ETF versus S&P 500 Software & Services index (2020-2026 YTD)



Source: Morningstar • Geography: US • As of May 6, 2026

M&A activity by most active US AI acquirers



Source: PitchBook • Geography: Global • As of May 6, 2026

The per-seat licensing model that defined enterprise software-as-a-service (SaaS) economics for two decades is under structural pressure from AI. AI agents can now autonomously execute workflows that previously required dedicated software subscriptions, reducing the number of seats enterprises need to buy. Adding AI capability to existing products simultaneously raises operating costs and compresses margins. The market began repricing this risk in early 2026. The iShares Expanded Tech-Software ETF fell 29.6% between December 11, 2025, and February 23, 2026, and the S&P 500 Software & Services index fell 27.5% over the same period. The selloff quickened through a sequence of events: the acceleration of autonomous AI agent deployments by OpenAI and others into late 2025 and early 2026, Anthropic launching Claude Cowork in February 2026—both demonstrating AI agents handling end-to-end



professional workflows—and Salesforce reporting its first revenue miss in several quarters alongside cautious guidance, signaling that investors were beginning to price in revenue risk from AI disruption. Together they reinforced investor concern about the durability of per-seat licensing revenue (a dynamic known as the [SaaS-pocalypse](#)).

For many incumbents, the response has been acquisition. Building AI capability internally is too slow given the pace of external AI development, making acquisition the faster path to production-ready AI. The data reflects this, as Salesforce, Snowflake, Databricks, ServiceNow, and Workday have all increased the share of AI deals in their recent acquisition activity, even as companies under structural financial constraint, including Cisco and Intel, have pulled back from M&A broadly.

Software companies with rating changes

Company	Economic moat	Former economic moat	Fair value estimate	Former fair value estimate	Fair value uncertainty	Former fair value uncertainty
Automatic Data Processing	Narrow	Wide	\$231.0	\$297.0	Medium	Medium
Oracle	Narrow	Wide	\$215.0	\$277.0	Very high	Very high
CrowdStrike Holdings	Wide	Narrow	\$460.0	\$410.0	Very high	High
Cloudflare	Wide	Narrow	\$235.0	\$200.0	Very high	Very high
FactSet	None	Narrow	\$275.0	\$360.0	High	Medium
Thomson Reuters	Narrow	Wide	\$140.0	\$170.0	Medium	Low
Salesforce	Narrow	Wide	\$280.0	\$300.0	Very high	Very high
ServiceNow	Narrow	Wide	\$165.0	\$200.0	High	High
Adobe	Narrow	Wide	\$380.0	\$560.0	High	High

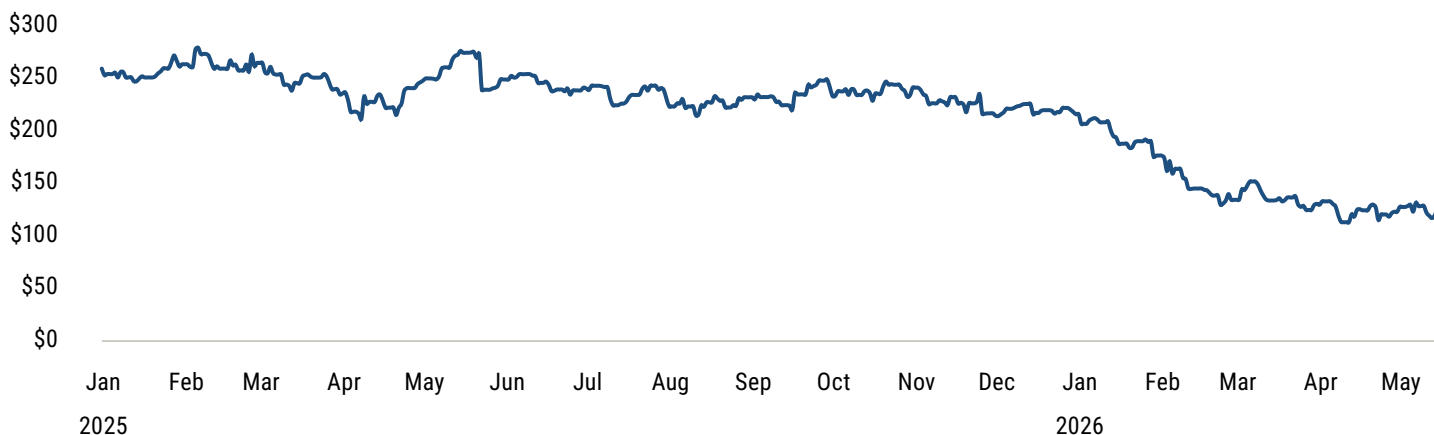
Source: [Morningstar](#) • Geography: US • As of March 8, 2026

Not all enterprise software companies face the same level of urgency. Those with wide moats, including proprietary data, high switching costs, and deeply embedded systems, are proving more resilient. Companies controlling domain-specific datasets that carry compliance obligations in regulated industries have a particularly strong defense: their data is difficult to replicate and replacing the vendor that manages it is operationally and legally disruptive. In a March 2026 review, Morningstar downgraded six software companies from wide to narrow moat, citing lower confidence that those companies will generate excess returns over the next decade, while upgrading CrowdStrike and Cloudflare on the strength of their cybersecurity positioning.² Morningstar's broader view is that system-of-record companies will remain strategically important as business models shift toward consumption-based pricing, and that the downgrades reflect uncertainty about the duration of excess returns rather than a verdict on long-term viability. For investors and acquirers, a company's data position and integration depth have become the central lens for evaluating enterprise software assets.



The market is already repricing AI disruption risk, even where displacement is not yet fully realized. The response at the company level varies considerably, driven by differences in financial capacity, moat strength, and strategic positioning.

Workday stock daily close price (2025-2026 YTD)



Source: Morningstar • Geography: US • As of May 6, 2026

Workday's human capital management platform illustrates the repricing dynamic. Its stock has fallen materially over the past year, and Morningstar downgraded its moat from wide to narrow in March 2026, citing lower confidence in how long its competitive advantage will persist as AI introduces new ways for users to interact with enterprise data, reducing switching costs tied to incumbent interfaces.^{3,4} Companies whose core value proposition sits closer to the workflow surface, such as document management, lightweight analytics, and task automation, face more immediate displacement as AI agents replicate those functions directly. Against this backdrop, Workday has adopted an AI-focused acquisition approach. It ranks among the top 10 corporate acquirers of VC-backed AI startups globally by deal value, and three of its four acquisitions in 2025 were AI deals, including Sana and Paradox.

Salesforce is the clearest example of a company actively acquiring AI capability at scale. It is the second-most-active corporate acquirer of VC-backed AI startups globally by deal count, behind only Apple. Historically one of the most acquisitive companies in enterprise software, with more than 100 acquisitions in its history, Salesforce has sharply pivoted toward AI in its recent activity: 18 of its 23 acquisitions from 2022 through 2026 YTD are AI-related, compared with eight of 39 in the 2016-2021 period, and all of its acquisitions in 2025 and 2026 YTD carry an AI tag. The pattern reflects a company with both the financial capacity and the strategic motivation to acquire at scale.

Snowflake and Databricks illustrate a different dynamic. Both are relatively young companies whose M&A activity has been concentrated almost entirely in the post-2021 period, and in both cases, AI is central to it. Snowflake recorded 19 of its 24 total acquisitions from 2022 through 2026 YTD, with 11 carrying an AI tag. Databricks has made 19 of its 22 total acquisitions since 2022, with 12 AI-tagged. Neither company is



reacting defensively; both are building out data and AI infrastructure platforms from a position of commercial strength, and their acquisition activity reflects proactive capability building rather than gap-filling under pressure.

ServiceNow represents a steadier middle path. It has maintained a consistent acquisition pace across both periods, with 23 deals from 2016 to 2021 and 18 from 2022 through 2026 YTD, and with 16 AI-tagged across its full history. Its M&A activity reflects measured integration of AI capability into an existing enterprise platform.

Cisco and Intel tell a different story. Both were historically prolific acquirers, and both have pulled back sharply. Cisco recorded 48 acquisitions from 2016 to 2021, dropping to 20 from 2022 through 2026 YTD, with only five carrying an AI tag. Intel recorded 29 acquisitions in the earlier period and only 10 since 2022, again with five AI-related. Their pullbacks are not primarily a reflection of AI strategy. Cisco has been navigating a platform transition from legacy networking hardware toward software and security, while Intel has faced sustained competitive pressure in its core semiconductor business. Their M&A contraction is driven by structural and financial constraints as much as strategic choice, and it is distinct from the deliberate build-over-buy posture of the hyperscalers.

Across the enterprise software landscape, the companies acquiring most actively are those with both the financial capacity and the platform logic to absorb AI capability.

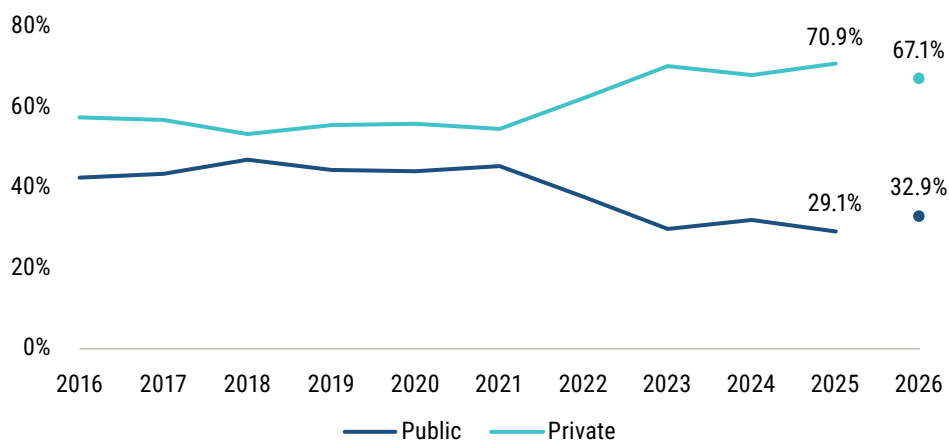
Across the enterprise software landscape, the companies acquiring most actively are those with both the financial capacity and the platform logic to absorb AI capability. Salesforce, Snowflake, and Databricks are acquiring from positions of commercial strength; companies with narrower margins or legacy business model pressures have less room to maneuver. For VC-backed AI startups, this bifurcation matters: The most active strategic acquirers are a concentrated group, and exit prospects within enterprise software depend heavily on whether a target's capability aligns with the platform roadmaps of that group.

Frontier AI labs and large AI-native companies as acquirers

The leading foundation model companies have grown beyond corporate M&A, unless they are the buyers. The largest ones exceed the market capitalization of most publicly traded software companies while still private, and they carry complex multiparty infrastructure relationships that would be difficult for a potential enterprise acquirer to absorb. Instead, they have become strategic partners and clients of the Big Five and active acquirers in their own right.



Share of VC acquisition count by acquirer backing



Source: PitchBook • Geography: US • As of May 6, 2026

Private acquirers have consistently represented the majority of VC-backed M&A, a trend documented in our [US VC-Backed M&A Outlook](#), with the share gap over public acquirers by deal count standing at 34.2% in 2026 YTD. Within that broader category, two distinct types of AI company have emerged as particularly active: Frontier AI labs, whose primary product is a large foundation model—such as those developed by OpenAI and Anthropic—and AI-native platform companies that provide the data and AI infrastructure layer that enterprises use to build, manage, and deploy AI applications.

Frontier AI labs began as research organizations and are acquiring to build the broader product platforms needed to compete commercially. OpenAI's acquisition of Torch Health illustrates the logic. Torch had built a medical memory for AI that consolidates fragmented patient data into a single context engine. Healthcare is among the most complex verticals for AI to enter. Siloed patient data, stringent regulatory requirements, and clinical governance standards require years of specialized work that general AI research & development cannot substitute. OpenAI acquired Torch days after launching ChatGPT Health, gaining a compliance-ready data layer without building it from scratch. Anthropic has taken a more selective approach, but its acquisition of Coefficient Bio—a stealth life sciences startup with AI models for drug discovery, clinical trial planning, and regulatory workflows—signals the same logic.

Large AI-native platform companies acquire to extend an existing platform rather than assemble a new one from scratch, a logic closer to that of enterprise software incumbents. Databricks, which remains privately held, is a clear example. It has executed 22 acquisitions, 12 of which are AI-tagged and focused on data and AI infrastructure, including MosaicML, which brought in-house LLM training capability that Databricks needed to compete with hyperscaler AI offerings. Its acquisition pace reflects a company adding depth to a platform that already has enterprise scale, not one filling a survival-critical gap.

The acquisition behavior of both groups matters more than the exit volume it generates. The targets these companies are pursuing share common characteristics: proprietary data, deep workflow integration, or infrastructure capability that cannot be



quickly replicated by a model update. That profile stands in sharp contrast to the large population of AI startups built at the application layer, where frontier AI labs release powerful new capabilities every few months. Startups that have built thin product layers on top of existing models, without proprietary data, vertical depth, or integration complexity, find their competitive differentiation eroding faster than they can build a sustainable business. The acquisition patterns of frontier labs and AI-native platforms are a forward-looking signal of which capability gaps the market treats as urgent and strategically valuable.

Acquisitions of VC-backed companies by OpenAI and Anthropic

Company	Close year	Exit value (\$M)	Post-money valuation (\$M)	Investor	Industry sector
io Products	2025	\$6,500.0	\$8,441.6	OpenAI	IT
Statsig	2025	\$1,100.0	\$1,100.0	OpenAI	IT
Rocket	2024	\$500.0	\$500.0	OpenAI	IT
Coefficient Bio	2026	\$400.0	\$400.0	Anthropic	Healthcare
Frontrun	2026	\$141.0	\$141.0	Anthropic	Financial services
Vercept	2026	N/A	N/A	Anthropic	IT
Crossing Minds	2025	N/A	N/A	OpenAI	IT
Humanloop	2025	N/A	N/A	Anthropic	IT
Jams	2025	N/A	N/A	OpenAI	IT
Bun	2025	N/A	N/A	Anthropic	IT
Neptune.ai	2025	N/A	N/A	OpenAI	IT
Multi	2024	N/A	N/A	OpenAI	IT
Context.ai	2025	N/A	N/A	OpenAI	IT
Global Illumination	2023	N/A	N/A	OpenAI	IT
Hiro Finance	2026	N/A	N/A	OpenAI	Financial services
Roi	2025	N/A	N/A	OpenAI	IT
Software Applications	2025	N/A	N/A	OpenAI	IT

Source: PitchBook • Geography: Global • As of May 6, 2026

Regulatory and geopolitical challenges

The current administration has taken a more permissive approach than its predecessor to vertical acquisitions—when a company acquires another at a different stage of the value chain rather than a direct competitor, such as an enterprise software company acquiring an AI-native startup to extend its platform capability. The Federal Trade Commission’s (FTC’s) monopolization case against Meta, which sought divestiture of Instagram and WhatsApp, was dismissed by a federal judge in November 2025 after the court found that the FTC had not sufficiently demonstrated that Meta held monopoly power in a properly defined market. The case was originally



...two newly emerged risk categories are reshaping the landscape for AI-related M&A specifically: regulatory scrutiny of talent-driven deal structures and geopolitical intervention in cross-border AI transactions.

filed in December 2020 and refiled in 2021 under Lina Khan's leadership after an initial dismissal; the FTC has since appealed the ruling. Horizontal deals, where the acquirer and target compete directly in the same market, and ongoing antitrust conduct cases against Big Tech continue to face scrutiny. Against that backdrop, two newly emerged risk categories are reshaping the landscape for AI-related M&A specifically: regulatory scrutiny of talent-driven deal structures and geopolitical intervention in cross-border AI transactions.

Talent acquisitions

The pool of researchers capable of building frontier AI systems is narrow. Most hold advanced degrees from a small number of elite research institutions or have built their careers at leading AI organizations, making them difficult to recruit and retain through conventional hiring. When a startup assembles a team with that profile, the team itself becomes the primary strategic asset. Talent acquisitions—transactions structured primarily to secure that talent rather than acquire a product or revenue stream—have become a notable feature of the AI M&A market. Google paid \$2.4 billion to hire Windsurf's leadership and license its IP immediately after OpenAI's acquisition attempt collapsed. Google has used this reverse talent acquisition structure multiple times to capture AI talent and IP while avoiding formal merger review.

Regulators have opened investigations into several of these transactions. The FTC launched a formal investigation into Microsoft's deal with Inflection AI in June 2024, examining whether the structure, which involved hiring nearly all of Inflection's staff alongside a \$650 million IP license, was designed to circumvent merger filing requirements. The Department of Justice (DOJ) opened an antitrust probe into the Google-Character.AI deal by mid-2025. The outcomes of both ongoing investigations will set important precedents for how talent acquisitions are treated under antitrust law, with significant implications for Big Tech's ability to use talent-and-license structures to rapidly acquire AI capability.

Cross-border AI M&A and geopolitical risk

Meta's acquisition of Manus, announced in December 2025 and blocked by China's NDRC—the central government body overseeing strategic industries—in April 2026, illustrates the cross-border AI M&A risk that has emerged from the US-China rivalry. Manus is an agentic AI platform founded in China, later headquartered in Singapore, and backed by Chinese and US investors including Tencent, HongShan, and Benchmark. China's NDRC ordered the deal unwound, citing reliance on Chinese talent and technology, and barred the co-founders from leaving China.

The Manus case signals a broader risk for cross-border AI transactions. Deals involving AI companies with meaningful ties to countries engaged in strategic and security rivalry with the US face potential regulatory intervention that corporate domicile alone cannot guard against. The US-China dynamic is the most active front. US export controls on advanced chips, restrictions on outbound investment into



Chinese AI and semiconductor companies, and China's use of domestic regulatory authority to block acquisitions of Chinese-origin companies regardless of where they are incorporated have together created a category of meaningful risk for cross-border AI M&A activity.

M&A and exit implications

Outsized AI acquisitions are concentrated in well-capitalized, mature companies valued on strategic fit with the acquirer's AI platform road map, while the broader acquisition population is characterized by limited deal size and compressed investor returns.

The VC-backed exit market exhibits a barbell structure. Outsized AI acquisitions are concentrated in well-capitalized, mature companies valued on strategic fit with the acquirer's AI platform road map, while the broader acquisition population is characterized by limited deal size and compressed investor returns. A small number of deals drives a meaningful share of total exit value. In Q1 2026, SpaceX's \$250 billion acquisition of xAI alone accounted for 72% of the quarter's VC-backed exit value. That deal, however, warrants a caveat: Both companies are controlled by Elon Musk, making it structurally distinct from an arm's-length strategic acquisition and a poor benchmark for broader market conditions. As discussed in the [Q1 2026 PitchBook-NVCA Venture Monitor](#), 86.8% of VC-backed acquisitions in Q1 2026 had undisclosed valuations. These deals include PE roll-ups, pre-AI SaaS companies, and distress-driven asset sales. They generate limited distributions to paid-in (DPI) for VC funds and do not reflect strategic AI acquisition activity. The prevalence of these exits has driven deal count higher even as strategically meaningful exits remain scarce.

A compounding dynamic for the top-tier AI private companies is the widening gap between private market valuations and what strategic acquirers are willing to pay. Leading AI companies have raised at valuations that exceed what most strategic acquirers can absorb without clear financial justification, placing them effectively beyond conventional M&A reach. For even the largest buyers, the strategic rationale favors investment over acquisition at these levels.

For the broader AI company universe, exit prospects depend on strategic fit and acquirer urgency. When a target aligns with a well-capitalized acquirer's AI roadmap, demand exists regardless of valuation environment. Companies that cannot reliably develop specialized AI talent or proprietary IP internally are willing to pay competitively for external capability, and that dynamic is not diminishing. The rapid pace of AI development makes in-house development increasingly difficult to sustain at the frontier, which continues to drive acquisition activity among incumbents with the financial capacity to act. Regulatory risk adds a layer of complexity: scrutiny of talent acquisition structures and cross-border transactions has increased, and deal teams are navigating a more uncertain clearance environment than existed two years ago. The result is a market where exits remain achievable for AI companies with the right capability profile and buyer alignment, but the path is narrower and more acquirer-specific than the overall deal count suggests.



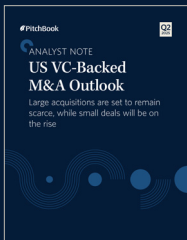
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