2025 M&A Study: A Travelers Special Report

Today's M&A trends – what technology risk teams need to know.

An introduction from James Standish

Vice President and Technology & Life Sciences National Practice Leader

For over 40 years, Travelers has led the way in protecting and supporting technology companies with specialized underwriting, risk control and claims expertise. Our dedicated team helps address risks technology companies face, regardless of size or growth stage, particularly the diverse challenges of mergers and acquisitions (M&A).

M&A often enables technology firms to expand their product offerings and enter new regions without developing new products from scratch. However, M&A also introduces notable risks such as coverage gaps and data security vulnerabilities.

This report, developed with PitchBook, illuminates M&A trends impacting technology companies, including:

- Drivers of M&As and factors attracting deals.
- Impact on talent and risk management practices.
- Where private equity firms invest.
- Sector-specific challenges and opportunities.

Through this report, we strive to equip distribution partners and business leaders with insights to help successfully navigate technology M&A transactions and empower tomorrow's breakthroughs.

Executive Summary

Technology M&As remain a key growth strategy

The technology industry has experienced significant M&A activity over the past five years, driven by the pursuit of growth opportunities through access to cutting-edge research, intellectual property and geographic expansion.

- **Tech M&A activity frequently focuses on software integrations** and is a powerful tool wielded to stay ahead in the age of artificial intelligence (AI).
- **M&As can provide strategic benefits,** including accelerated product development, reduced time to market and enhanced economies of scale.
- **By acquiring established businesses,** firms can mitigate risks and costs associated with in-house innovation and market penetration.
- **Startups often position themselves for acquisitions** as an exit strategy, and strategic acquisitions consistently account for more than two-thirds of all exits for venture capital-backed companies in the U.S., according to PitchBook data.[1]
- **M&As also enable companies** to diversify revenue streams and access new customer bases.
- **Regulatory scrutiny and operational complexities** remain additional challenges for M&A players.

Two categories of M&A transactions:

Strategic deals involve acquisitions by competitors or complementary companies aiming for long-term integration.

Private equity buyouts are driven by investment firms that acquire majority stakes with the goal of offloading at a profit.

1 "Q4 2024 PitchBook-NVCA Venture Monitor Summary XLS," PitchBook, Jan. 13, 2025.

Trend Analysis

The latest wave of tech innovation is driving M&As

Tech has become nearly synonymous with AI, as rapid advances have turned companies like OpenAI into household names and targets for Big Tech investment.

- Leading AI models are now established and backed by powerful balance sheets.
- Smaller application-layer companies still have room to innovate and scale.
- Electronics manufacturers are feeling the ripple effects of the AI boom.
- Surging demand for semiconductor chips and data center infrastructure is fueling intense investment and competition.
- Cybersecurity is another key focus with threats that are becoming more sophisticated with AI.

While this wave of tech innovation is fueling growth, with many companies paying large sums for strategic acquisitions and buyouts, the industry still faces major challenges that demand more deliberate planning. This includes assessing risks, modeling scenarios and planning contingencies for geopolitical shifts, regulations and vendor stability.

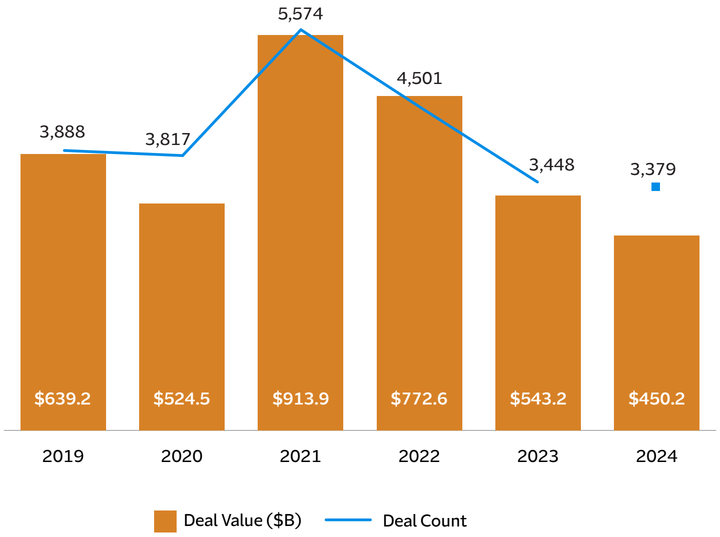
Breakneck tech advancements mean intensifying headwinds, which include:

- Fierce competition from the innovation race, market saturation, customer expectations and pricing pressures.
- Regulatory pressure, including data privacy and protection, antitrust laws and misinformation control.
- Supply chain disruptions, geopolitical conflicts and component shortages.

Tech M&As slowed in 2024, but consolidation remains strong

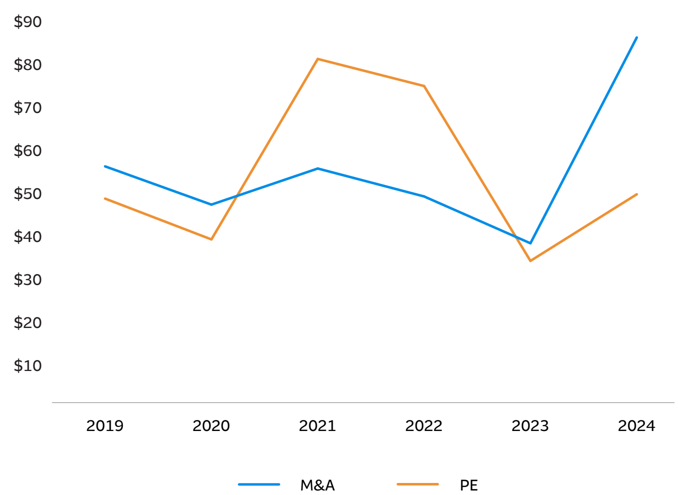
Tech M&As drove over $450 billion across more than 3,300 transactions in 2024 – marking declines of 17% in value and 2% in deal count year over year (YoY). The declines were less severe than the year prior, signaling a slow return to deal execution.

Tech M&A activity*



*Contains extrapolated values

Median tech deal size ($ million) by type



Economic declines have weighed on private markets for over two years but are showing signs of easing. Blockbuster deals – some in excess of $30 billion – continued to close as strategic value outweighed macroeconomic headwinds, which more than doubled the median tech M&A deal size in 2024. While overall totals dipped, the case for M&As remains strong amid ongoing cost and competitive pressures.

Source: PitchBook Data, Inc. as of 12/31/2024

> PE firms take companies private to gain control of undervalued or underperforming public businesses and use full ownership to drive performance. While leading tech stocks have surged, uneven gains and recent market turbulence have strengthened the case for taking certain companies private again. These types of deals have slowed since 2022, but standout deals like Squarespace's $7.5 billion buyout in October 2024 show they still play a key role – and that PE firms can establish control even after companies go public.

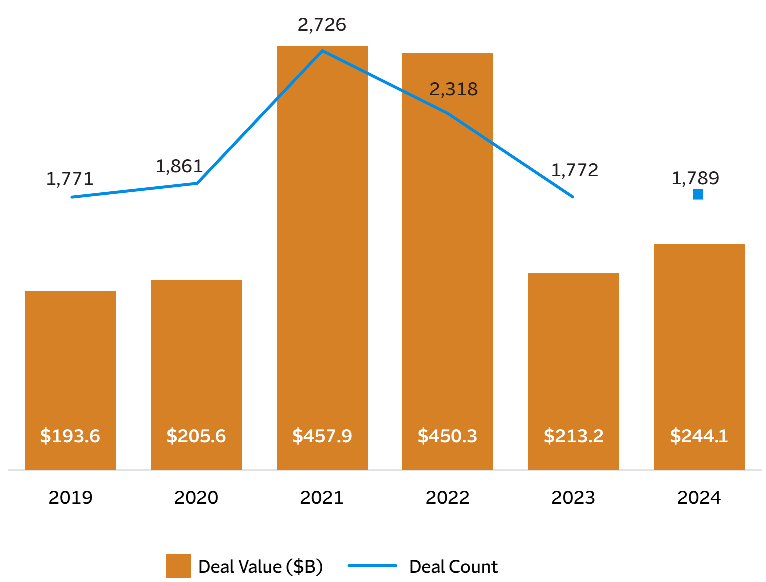
Charlie Tice
Private Equity National Practice Lead & Regional Vice President, Commercial Accounts Group

Private equity (PE) reach is expanding, driven by larger deals and software

PE activity in tech skyrocketed in 2021 and 2022, with more than 2,000 deals closing for over $450 billion each year. Low-leverage costs and attractive software-as-a-service (SaaS) models drew PE firms to tech in droves. But rising interest rates and a weakening macroeconomic outlook in 2022 triggered a sharp pullback in 2023. Activity rebounded in 2024, with deal value up 14.5% and deal count up 1%.

The median PE deal size rose by nearly 50% in 2024, signaling a return of large-scale transactions.

Tech PE activity



Source: PitchBook Data, Inc. as of 12/31/2024

IT and telecom megadeals are making waves in the industry

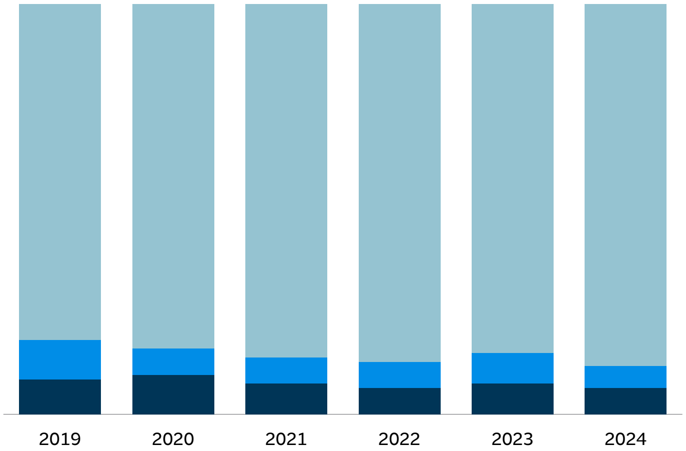
The information technology (IT) subsector remains the strongest driver of both M&A and PE activity, accounting for more than 80% of both total tech deal counts and value in 2024. Software dominates tech with relatively low startup costs and numerous user bases. Combined with a decade of heavy venture capital (VC) investment, these factors created a massive, fragmented market ripe for strategic deals and private equity roll-ups.

Private equity roll-ups refer to a common investment strategy in which a private equity firm acquires multiple smaller companies in the same or adjacent industry and consolidates them into a larger entity.

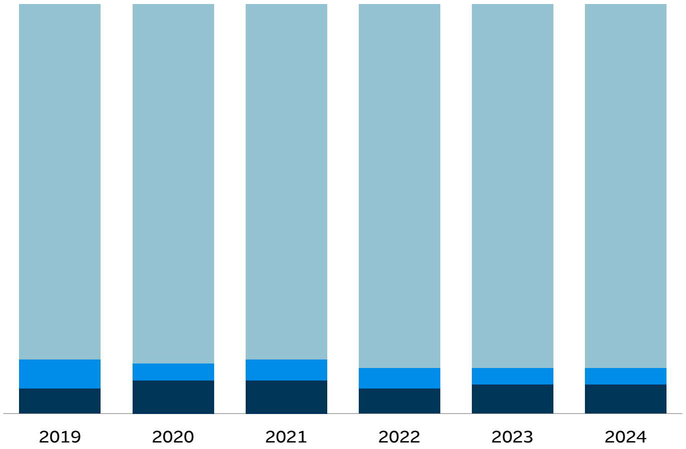
PE firms are still identifying more opportunities for tech portfolio expansion and are doubling down on IT. PE deal value in the IT subsector demonstrated 24.7% annual growth, compared with declines of 24.1% for telecommunications and 5.2% for electronics manufacturing.

IT dominates strategic deal activity, but telecom deal value surged 130% YoY — driven by EchoStar's $26 billion acquisition of DISH in January 2024. Telecom consolidation is accelerating as legacy infrastructure adapts to demands like 5G and nationwide fiber expansion.

Share of tech M&A count by subsector*



Share of tech PE deal count by subsector*



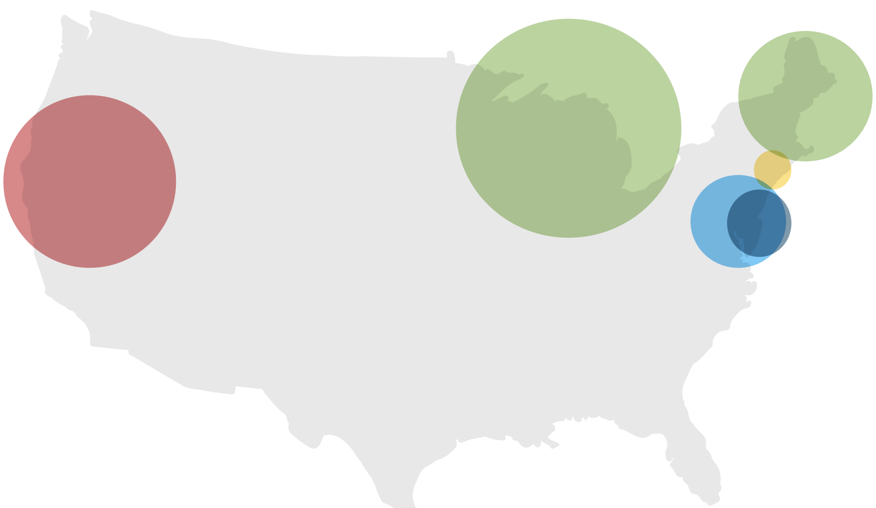
IT | Electronics Manufacturing | Telecommunications

*Contains extrapolated values

Source: PitchBook Data, Inc. as of 12/31/2024

Tech M&A is distributed across the U.S., beyond traditional hubs

Silicon Valley may be considered the heart of the tech industry, but M&A activity spans all regions.



The West Coast drives a quarter of annual deal volume.

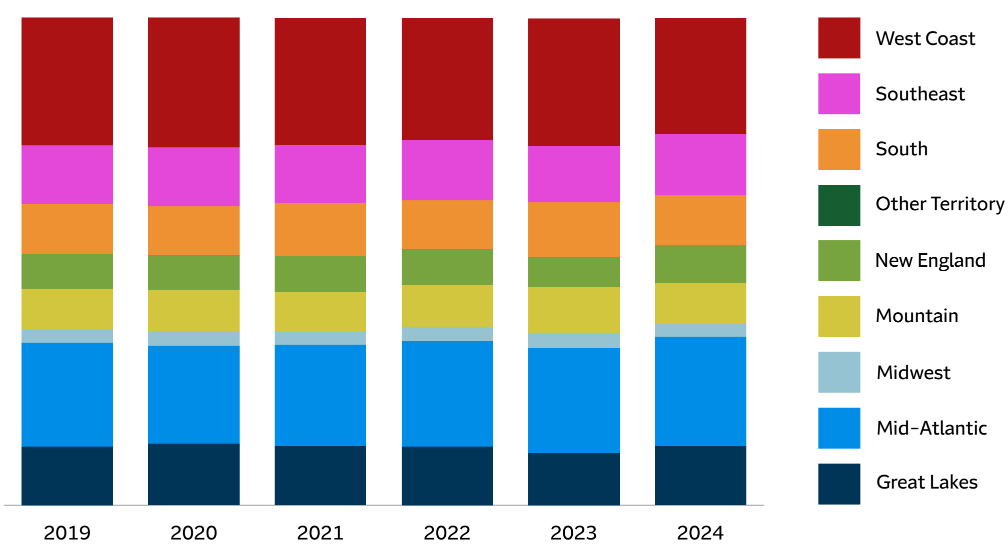
The Mid-Atlantic is not far behind at 20%.

New York is a natural home for tech firms given its size and networks.

Washington, D.C., and Virginia appeal to cybersecurity companies seeking proximity to federal agencies.

New England and the Great Lakes saw double-digit deal growth in 2024, supported by strong graduate talent and prominent research institutions, with VC funding naturally flocking to these areas as a result. For example, Connecticut is home to 213 VC firms, and Minnesota is home to 114. VCs support the development of a broader base of future M&A targets.

Share of tech M&A count by region*

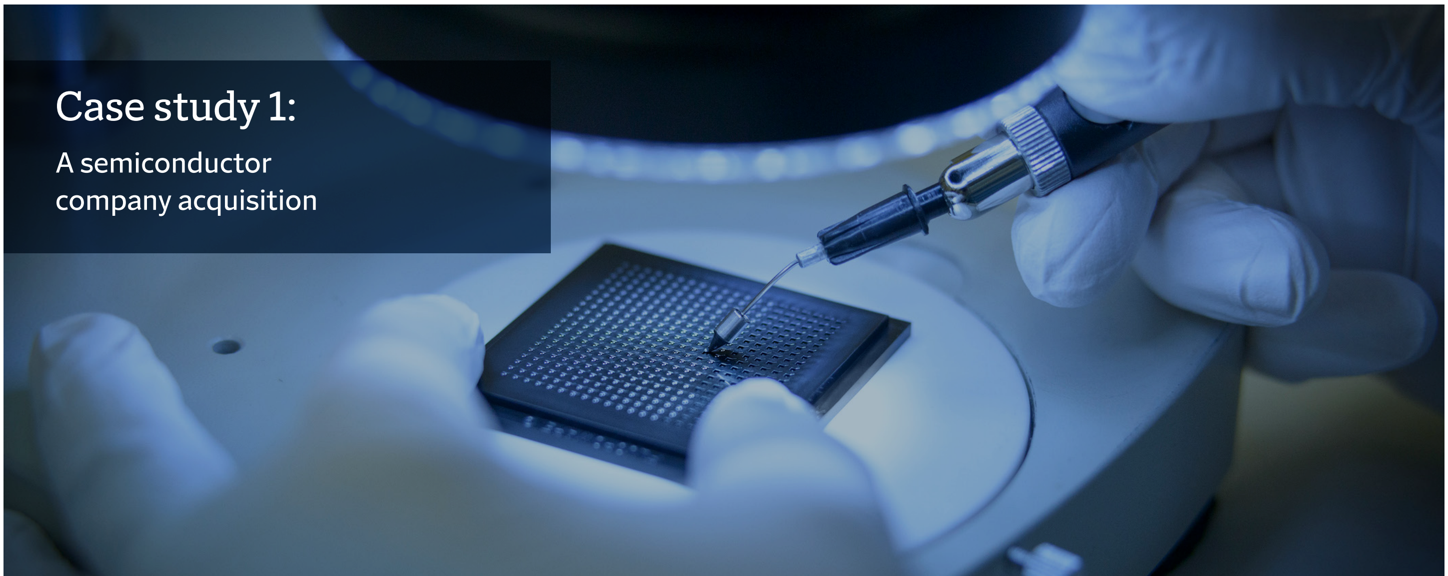


*Contains extrapolated values

Source: PitchBook Data, Inc. as of 12/31/2024

Case Studies

Recent tech sector M&A activity illustrates how strategic acquisitions are leveraged by industry leaders to drive growth, enhance competitive positioning and foster long-term innovation in rapidly evolving technology markets.



Case study 1:

A semiconductor company acquisition

Primary motivators: Growth, competition

Background: A California-based semiconductor company specialized in embedded systems and wireless connectivity for the automotive, industrial automation, consumer electronics and Internet of Things (IoT) industries. A large European chipmaker based in Germany was looking to strengthen its position in many segments.

Deal synopsis: In 2020, the European chipmaker acquired the semiconductor company. The deal also expanded the chipmaker's global supply chain and R&D capabilities, helping it compete with major players.

Key takeaways:

- Heavy competition in the semiconductor industry fuels the wave of M&A deals used to expand market share and product portfolios.
- Legacy industries like automotives are transforming, with semiconductors at the forefront of many of these innovations.
- Large-scale acquisitions can provide economies of scale in the form of R&D investments and support supply chain resilience as companies seek global market penetration.

Case study 2:

Acquisition of a software solutions company

Primary motivators: Assets, growth

Background: A North Carolina-based provider of open-source, cloud-native enterprise software solutions was a prominent name in cloud computing and IT infrastructure. The company played a crucial role in the enterprise adoption of open-source software.

Deal synopsis: A U.S.-based global technology leader was seeking to pivot from its declining legacy businesses toward high-growth segments. Acquiring the software solutions firm bolstered its positioning in the hybrid cloud computing market. The business continues to operate as an independent entity, maintaining its open-source principles and partnerships.

Key takeaways:

- Hybrid cloud computing is a critical growth area in enterprise IT, with businesses increasingly adopting multicloud strategies for flexibility and scale.
- Open-source software, monetized through subscription-based enterprise solutions, plays a fundamental role in modern IT infrastructure.
- Legacy technology firms often rely on M&A deals to remain competitive in the digital era.
- Maintaining subsidiary independence can help preserve customer trust while allowing the acquirer to advance broader initiatives.

From deal to reality: An on-the-ground perspective

To learn more about some of the impacts M&As can have on a technology company, we surveyed over 100 technology executives with risk-related responsibilities who have undergone a merger or acquisition in the past five years.

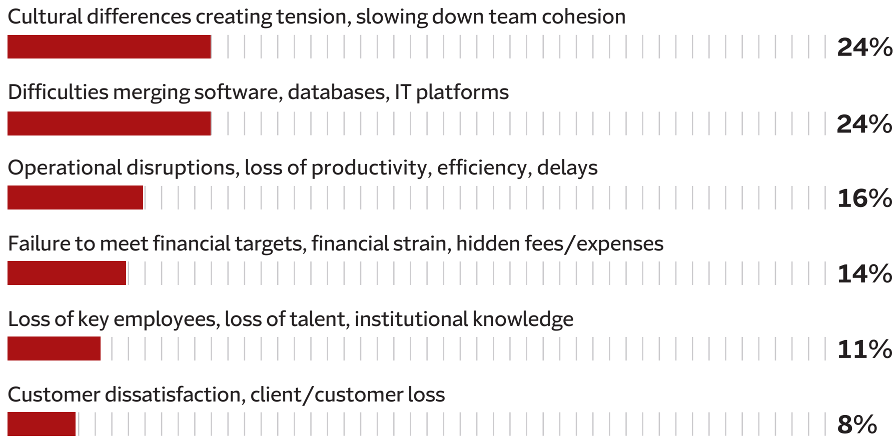
Despite challenges, 88% of technology risk management professionals report that the overall impact of M&As has been positive. However, M&A activity in the technology sector did not happen without notable changes and disruptions.

Technology sector: Biggest successes of the M&A

(Aggregated volunteered responses)

Source: Travelers M&A Study, 2025

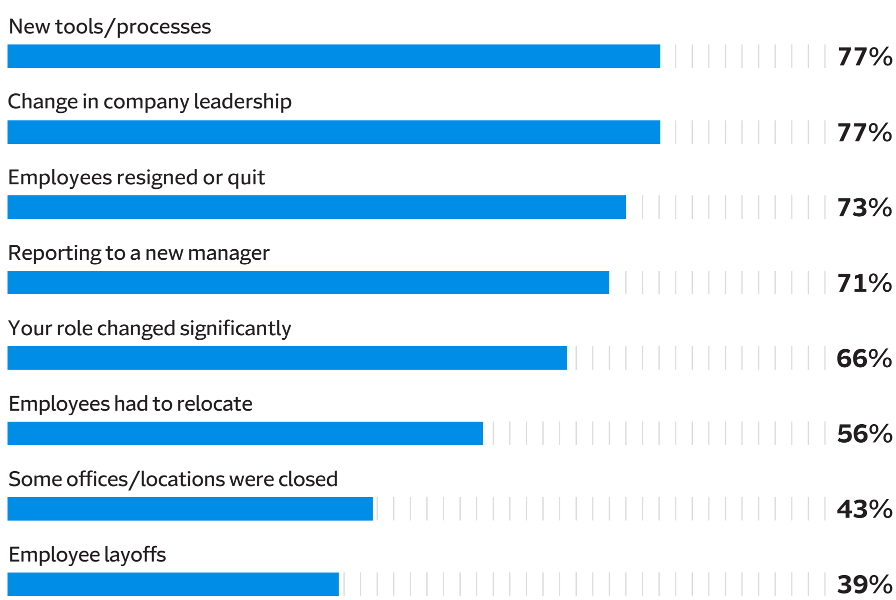
Technology sector: Biggest future risks of the M&A
(Aggregated volunteered responses)



Impact on workforce

The majority of companies implemented new tools or processes to support the transition, and many experienced changes in leadership. The workforce was also affected, with over half of respondents indicating that employees either resigned, underwent major role changes or had to relocate.

Technology sector: % occurred as a result of the M&A



Source: Travelers M&A Study, 2025

Impact on risk management

Nearly all technology companies (91%) changed risk management practices following a merger or acquisition.

Top Risk Management/Insurance Changes

Source: Travelers M&A Study, 2025

Source: Travelers M&A Study, 2025

Technology Sector: In Their Own Words

Lesson learned from mergers:

“Key talent attrition and dissatisfaction might result from persistent culture mismatch.

– Risk Manager, Technology, 50–249 employees

“It can be difficult and resource-intensive to integrate various IT platforms, systems and technologies.

– Vice President, Technology, 250–499 employees

“Data breaches are more likely to occur during system integration.

– Owner, Technology, 50–249 employees

Lesson learned from acquisitions:

“Intellectual property disputes may arise from poorly documented patents.

– Risk Manager, Technology, 250–499 employees

“Costs associated with restructuring, possible redundancies and the integration process that are hidden or underestimated.

– Controller, Technology, 500–999 employees

“Difficulty in merging IT systems and processes could result in inefficiencies, data breaches or loss of critical information.

– Risk Manager, Technology, 500–999 employees

Conclusion and a Look Ahead

M&As remain a central growth strategy in the tech industry, with billions of dollars in deals shaping the competitive landscape each year. Despite recent market fluctuations, large-scale deals continue to close. Looking ahead, companies may face rising R&D costs, regulatory challenges and increasing competition.

The scale and complexity of tech M&A transactions emphasize the need for thorough risk assessment.

As high-value acquisitions, especially for software and semiconductors, become more common, diligent risk mitigation is essential. Before closing, companies must evaluate:

- Financial exposures.
- Regulatory compliance.
- Cybersecurity vulnerabilities.
- Integration challenges.

Emerging themes for tech companies to watch out for include new regulatory treatment of AI, litigation targeting potentially addictive social media platforms and unfolding trade conflicts that may impact international customer bases.

Going forward, as M&As continue to define the future of tech, companies must adopt a strong risk management strategy supported by appropriate insurance solutions to help position themselves for long-term success and stability.

To learn more, click here for an interactive digital experience that dives deeper into our M&A study.

About PitchBook

PitchBook is the leading resource for comprehensive data, research and insights spanning the global capital markets. The unprecedented depths of our offerings are brought to life through the PitchBook Platform, a dynamic suite of products designed to help you win.

PitchBook Methodology

Geography for M&A transactions is based on where the acquired/selling company is headquartered. Acquirers/buyers may hail from any region.

For more details, visit https://pitchbook.com/news/pitchbook-report-methodologies.

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