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Contents

US VC-Backed M&A Outlook

Large acquisitions are set to remain scarce, while small deals will be on the rise

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

- Large M&A continues to be rare because of elevated interest rates, uncertain economic growth, increased regulatory scrutiny, and stock market volatility. Public companies have significantly pulled back from large acquisitions, with the number of active public acquirers dropping from a peak of 1,423 in 2021 to 815 in 2024.

- While big-ticket deals remain limited, smaller acquisitions are experiencing relative growth. A confluence of factors—lower startup valuations, need for liquidity, and prolonged funding drought—have created favorable conditions for smaller-scale M&A. These deals are poised to maintain or slightly grow in the coming quarters.

- With the number of private companies rising sharply and public market exit channels severely limited, M&A has become a critical path for exits. The median time since last funding round hit a record 2.4 years in Q1 2025, reflecting mounting pressure for liquidity. Founders and GPs are increasingly turning to M&A as a quicker, more viable liquidity solution compared to IPOs.

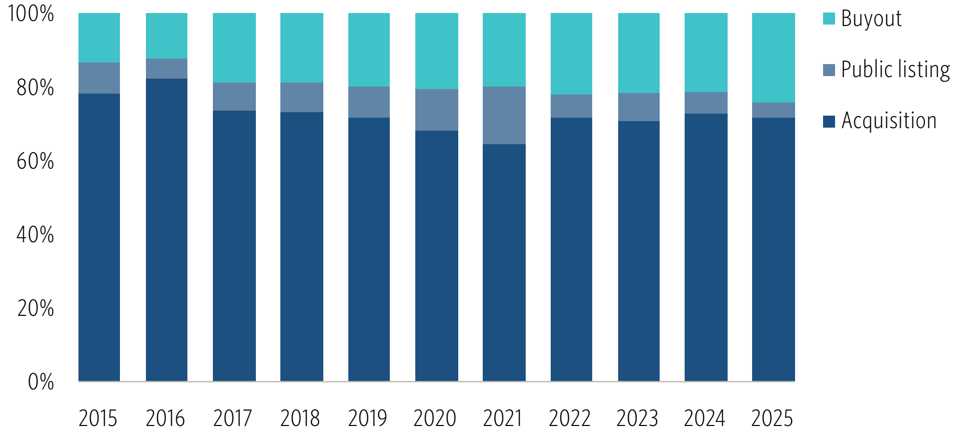
- Antitrust concerns continue to be a hurdle, especially for Big Tech, under the Trump administration. Despite this, large deals such as Google's $32 billion offer for Wiz signal hope that high-profile acquisitions are still possible.

- Sectoral trends show divergence in M&A resilience. Software remains the dominant sector, comprising more than 40% of deal volume since 2015 and peaking at 51.2% in Q1 2025. Biotech & Pharma, despite challenges, still attracts large-dollar acquisitions. In addition, areas such as digital health and supply chain tech are more insulated from trade policy risks.

- Buyouts, although traditionally a smaller share of VC exits, now outpace public listings. Interest is growing among PE firms seeking bolt-ons, especially in software, healthcare services, and commercial products. However, their sensitivity to interest rate fluctuations may moderate this trend moving forward.

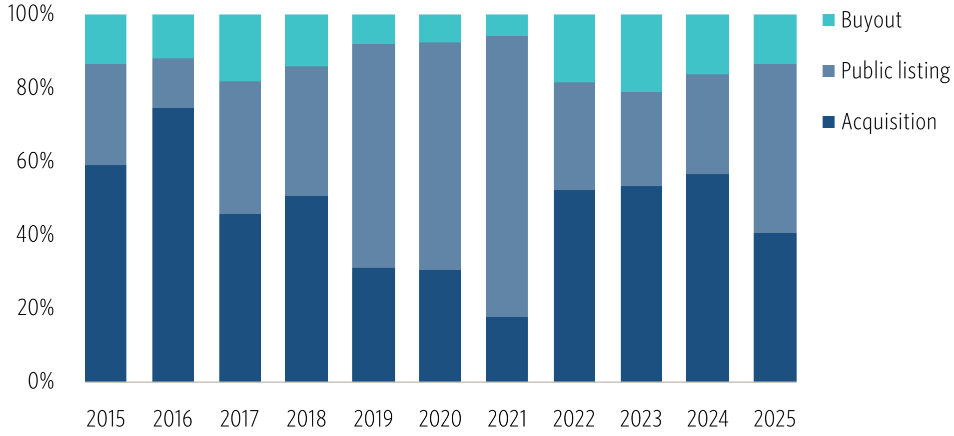
Introduction

Share of US VC exit count by type



Source: PitchBook • Geography: US • As of March 31, 2025

Share of US VC exit value by type



Source: PitchBook • Geography: US • As of March 31, 2025
Note: This chart uses extrapolated values.

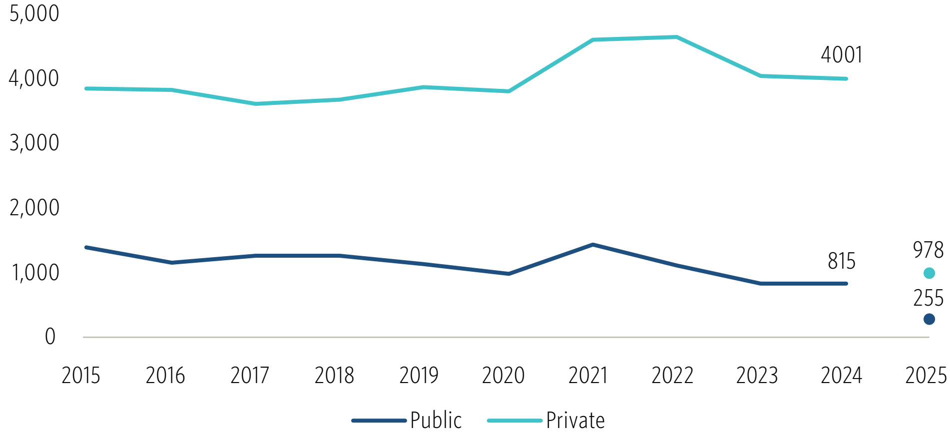
Despite the ongoing, acute sense of market uncertainty, we expect US VC-backed M&A activity to remain stable for the rest of 2025 and the first half of 2026. 205 VC-backed acquisitions closed in the first quarter of 2025, setting the annualized figure to narrowly eclipse the 2023 level. If the current pace of VC-backed acquisitions continues, 2025 is on track to top the prior year.

In Q1 2025, VC-backed acquisitions totaled $22.7 billion, with annualized exit value on track to slightly exceed 2024. This is still below the pre-COVID-19 pandemic level, with recent years characterized by a shortage of large acquisitions. Between 2022 and 2024, we estimate that VC-backed acquisitions generated between $60 billion and $90 billion each year, a sharp decline from the 2021 record of $151.2 billion. The decline is a result of interest rate hikes, stock market declines, and heightened antitrust scrutiny. (We note Federal Trade Commission (FTC) Chair Lina Khan began serving in June 2021 but announced her resignation in January.)

Looking forward, several headwinds could keep large acquirers on the sidelines for the remainder of 2025. These include continued regulatory scrutiny, a lack of clarity on policy direction, uncertain economic growth, rising production costs, rapid policy shifts, and stock market volatility. However, market conditions for small-scale acquisitions could be more favorable. The prolonged, challenging financing environment, the need for liquidity, and a general reset in valuations could help sustain the appetite for dealmaking. We expect these conditions could also support steady-to-mild growth in PE-backed buyouts as well,[1] although these historically constitute a relatively small portion of US VC-backed exits.

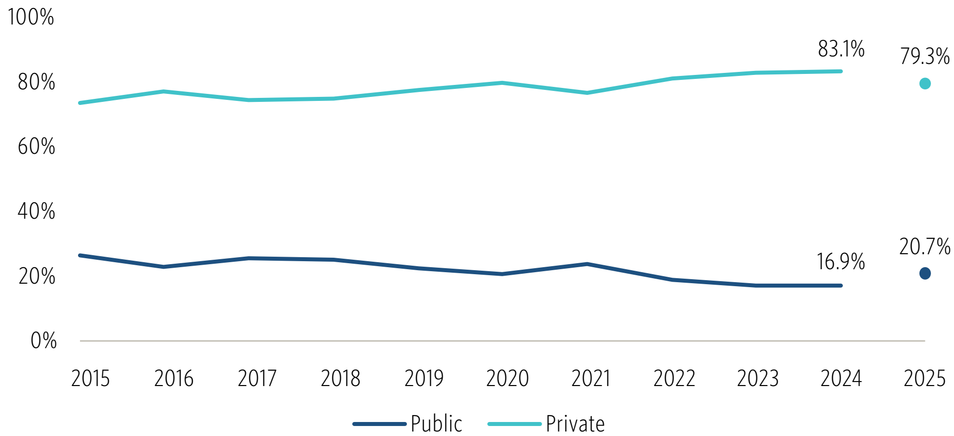
Large M&As are set to remain scarce

Active US strategic acquirers by backing



Source: PitchBook • Geography: US • As of March 31, 2025

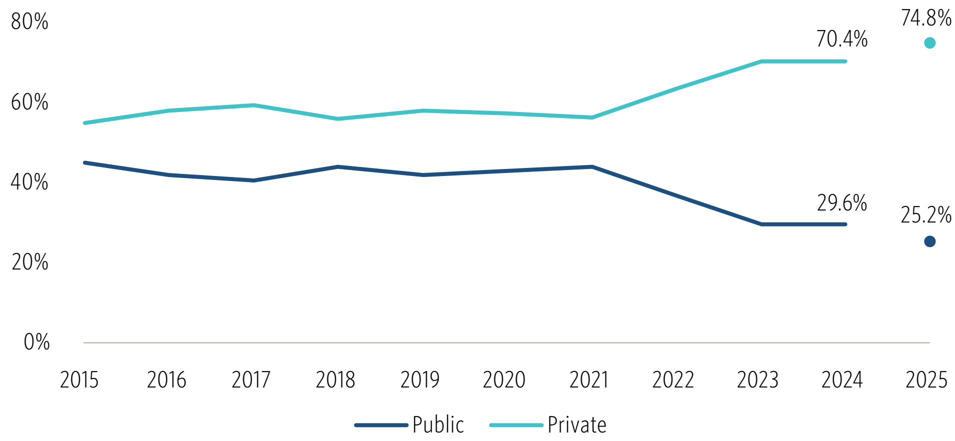
Share of active US strategic acquirers by backing



Source: PitchBook • Geography: US • As of March 31, 2025

1: Buyout is counted as a distinct type of exit in our VC research reports, as opposed to being included in our acquisition data.

Share of US VC acquisitions by acquirer backing



Source: PitchBook • Geography: US • As of March 31, 2025
Note: Includes only deals with known investors.

US public companies have become less acquisitive in recent years

Public "active" acquirers (which we count as public companies that have made at least one strategic acquisition of a US firm in a year) have declined steadily, from 1,423 in 2021 (an all-time high) to 815 in 2024. During the same period, the number of public companies as a share of all US active acquirers (public or private companies) has followed a similar trend, decreasing from 23.7% to 16.9%. While Q1 data from 2025 suggests a possible reversion, the data is subject to bias from the small sample size. Potential factors that led to a more cautious approach to acquisitions from public companies in recent years include COVID-induced disruptions, higher financing costs, and increased regulatory scrutiny.

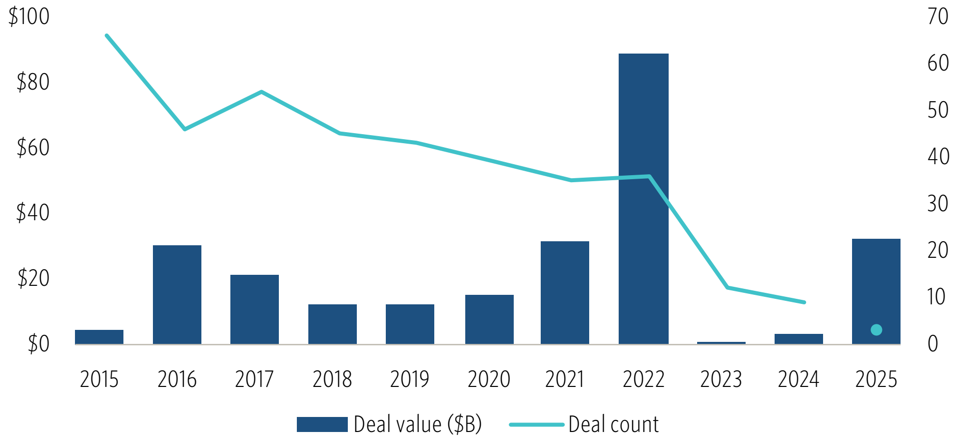
Similarly, public companies have accounted for a smaller proportion of VC-backed M&A in recent years. While private acquirers have always constituted a higher share of VC-backed M&A—roughly 10% to 16% higher than public acquirers between 2015 and 2021—the difference has widened in recent years to around 40% or more in 2023 and 2024. The trend of public companies pulling back from M&A activity is reflected in the smaller number of large acquisitions that we have recorded.

Apart from occasional outsize deals, large corporations slow their pace of dealmaking

Should ongoing macroeconomic headwinds continue, we expect outsize M&A deals to remain sparse. Executives of large public companies are holding back from making large capital expenditures as they hedge risks in a highly unpredictable business environment. Amid policy uncertainty, slowing economic growth, and the increased likelihood of a recession, large multinationals face a complicated set of strategic challenges as they navigate the waters ahead. The increased cost of borrowing represents an additional dealmaking headwind. While possible rate cuts could act as a dealmaking catalyst, this may not occur if done within the context of higher inflation and slower economic growth.

Big Tech regulatory scrutiny appears to persist under new administration

Global strategic M&A activity by the Big Five



Source: PitchBook • Geography: Global • As of March 31, 2025

Over the past decade, Big Tech has slowed its pace of acquisitions. In 2014, Amazon, Apple, Google, Meta, and Microsoft—collectively known as "the Big Five"—acquired 73 companies totaling $33.4 billion. In 2024, this had dropped to nine deals totaling $3.3 billion, with a steady rate of decline over the past decade (excluding Microsoft's $75.4 billion acquisition of Activision Blizzard in 2023).[2]

Even under the new administration, regulatory pressure remains a key headwind for Big Tech M&A. While certain sectors, such as financial services, may be better positioned given renewed efforts to reduce the scope of regulatory bodies such as the Consumer Financial Protection Bureau, Securities and Exchange Commission, and Office of the Comptroller of the Currency, the Trump administration has continued the focus on antitrust investigations. Both the chairman of the FTC, Andrew N. Ferguson, and the assistant attorney general of the US Department of Justice's antitrust division, Gail Slater, have openly discussed the need for scrutiny over key industries, including tech and healthcare.

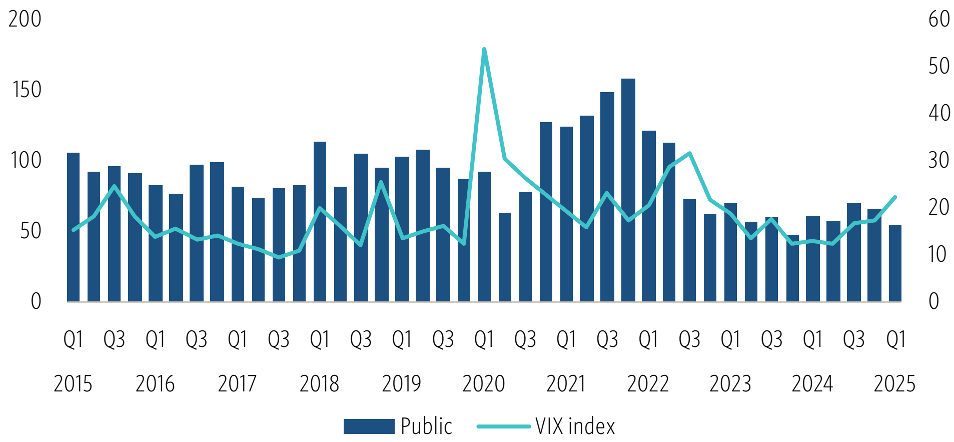
Both Google and Meta are involved in meaningful antitrust lawsuits that could shape the future of their core businesses as well as future M&A strategies. While this has put a damper on the pace of dealmaking, large deals are still occurring, such as Google's recent $32 billion proposal to acquire Wiz (a notable premium over the $23 billion offer from July 2024).

2 : Deals include investments made by their CVC arms.

Finding silver linings amid macro uncertainties

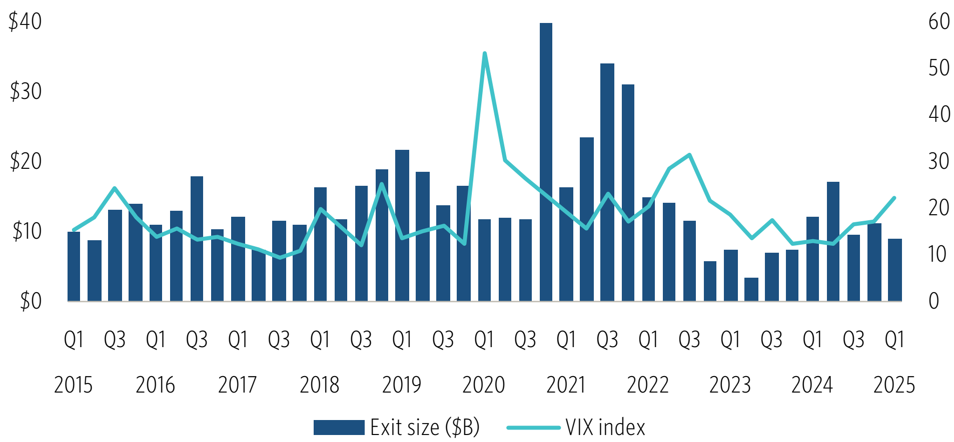
Acquisition activity and stock market volatility do not go hand in hand

US VC acquisitions by public companies vs. VIX index



Source: PitchBook • Geography: Global • As of March 31, 2025

US VC acquisition value by public companies vs. VIX index



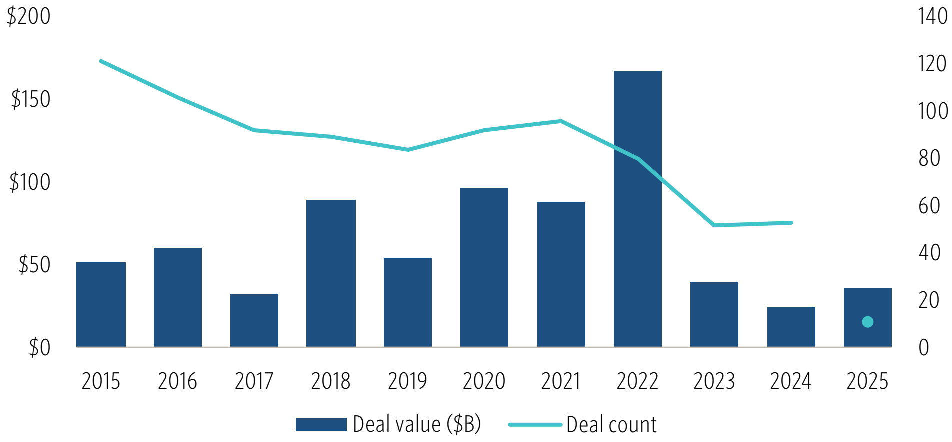
Source: PitchBook • Geography: US • As of March 31, 2025

Some bright spots remain for VC-backed M&A activity in the current environment. A persistent economic slowdown could create consolidation opportunities for businesses seeking inorganic growth opportunities. Additionally, mid- to large-size companies may not be subject to the same regulatory headwinds that are preventing deal activity among megacap businesses. Finally, the substantial correction in valuations over the past few years could drive up the acquisition appetite.

While market observers might point to the increase in market volatility as the key driver of an M&A slowdown, our historical analysis provides reason to believe otherwise. When comparing acquisition activity against the VIX index over the past decade, we find the two are not necessarily correlated, suggesting that other factors beyond stock market volatility—regulatory pressure, for example—likely play key roles in determining the pace of acquisitions.

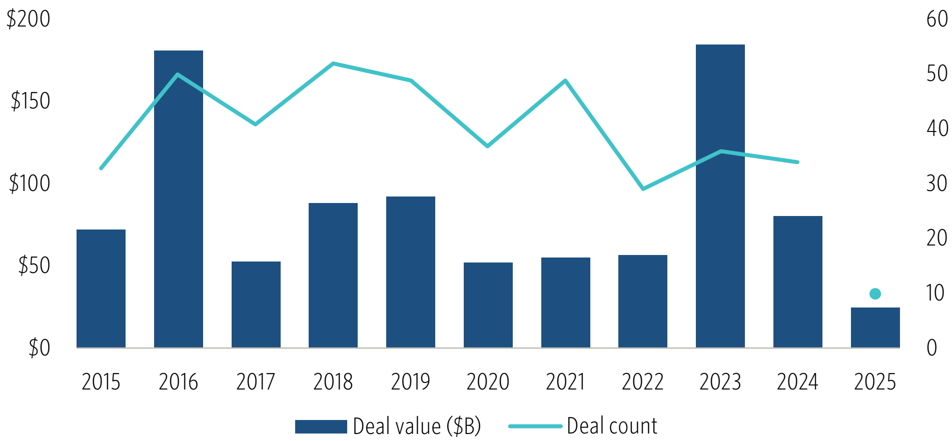
Sectoral idiosyncrasies point to industry-specific opportunities

Global strategic M&A activity by top 25 US public tech companies*



Source: PitchBook • Geography: Global • As of March 31, 2025
**Note: By market cap*

Global strategic M&A activity by top 25 US public non-tech companies*



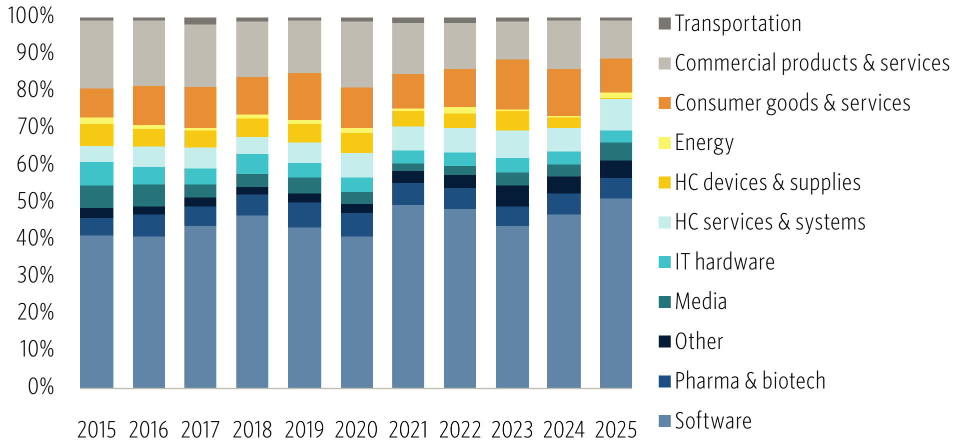
Source: PitchBook • Geography: Global • As of March 31, 2025
**Note: By market cap*

Dealmaking data from the top 25 US public companies indicates that while the largest tech firms have generally scaled back acquisitions since 2015, non-tech M&A did not show the same pattern. Instead, M&A activity of non-tech public companies has fluctuated, suggesting factors related to industry-specific strategy decisions.

For example, certain industry sectors, such as the packaged food space, have historically been more acquisitive than others given their need for cost synergies, new market expansion, and risk reduction (See our note, A Lack of Pathway From CVC Investments to an Eventual M&A). Additionally, Big Pharma has historically acquired venture-backed startups in high-risk, high-return fields such as drug development to fill innovation pipelines (See our note, Biotech & Pharma Tariff-Driven VC Opportunities).

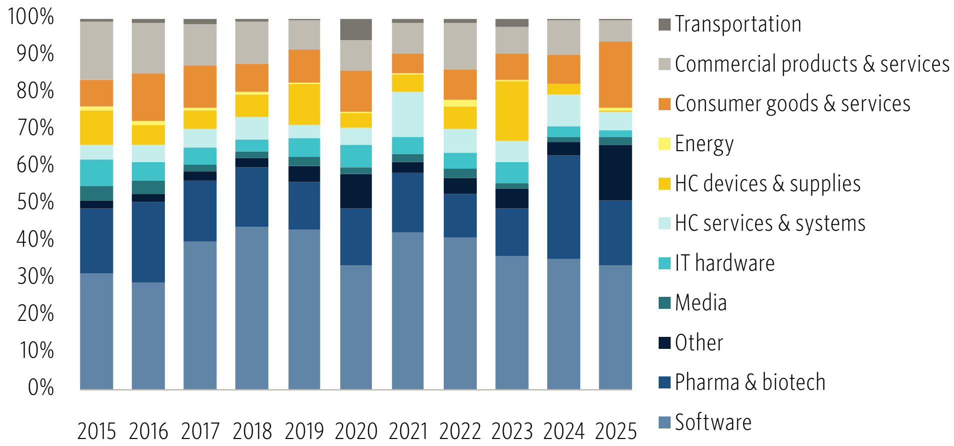
Despite the ongoing policy shifts, Big Pharma will not pause making acquisitions. Instead, deals are still happening, and the large players hold a high selection bar, resulting in dollars going to the strongest startups that have already passed later-stage clinical trials.

Share of US VC exits via acquisitions by sector



Source: PitchBook • Geography: US • As of March 31, 2025

Share of US VC exit value via acquisitions by sector



Source: PitchBook • Geography: US • As of March 31, 2025

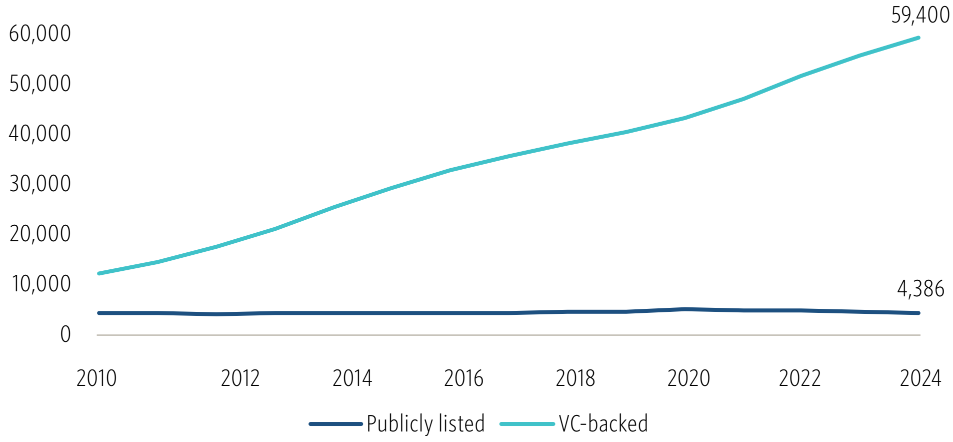
Software has consistently led US VC-backed M&A over the past decade. Since 2015, software deals have accounted for more than 40% of total deal volume annually, peaking at a record 51.2% in Q1 2025. Commercial products & services and consumer goods & services ranked second and third by deal count, capturing 10% to 18% and 8% to 13%, respectively. By deal value, pharma & biotech historically held the second-largest share, followed by commercial products & services.

M&A momentum is supported by sector-specific strategies and varying resilience to macro pressures. Domestically focused businesses tend to be more insulated from global disruptions. As detailed in our analyst note, Potential Impact of Trump's Tariffs on the VC-Backed Tech Ecosystem, subsectors such as agtech, gaming, and mobility face significant tariff exposure, while supply chain tech and digital health remain largely unaffected by trade policy shifts.

VC's pressing need for liquidity

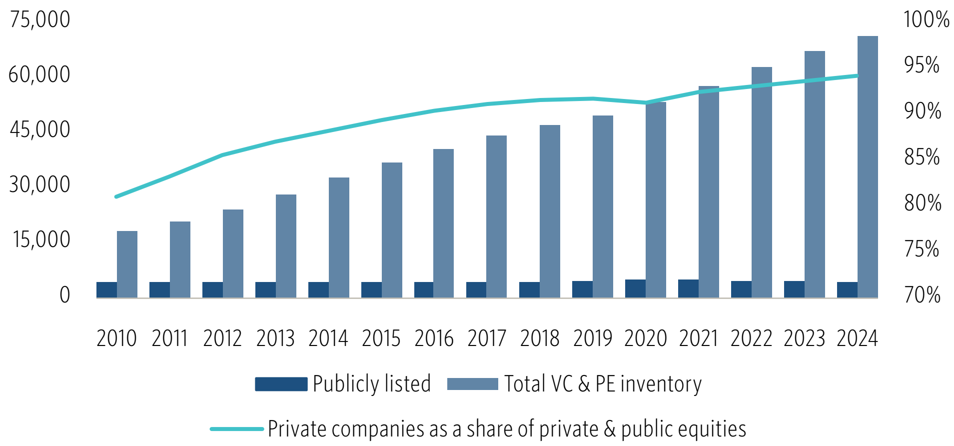
The US public market is unable to absorb a disproportionately large private company inventory

Count of VC-backed companies versus domestic companies publicly listed on the New York Stock Exchange and Nasdaq



Source: PitchBook • Geography: US • As of March 31, 2025

Count of PE & VC-backed companies versus domestic companies publicly listed on the New York Stock Exchange and Nasdaq



Source: PitchBook • Geography: US • As of March 31, 2025

Over the past 15 years, the US private market has expanded rapidly. The number of VC- and PE-backed companies jumped from 18,188 in 2010 to 71,208 in 2024—a 3.9x increase. In contrast, the number of publicly listed firms remained flat, edging up only slightly from 4,279 to 4,386. As a result, private companies now represent 94.2% of all US businesses.

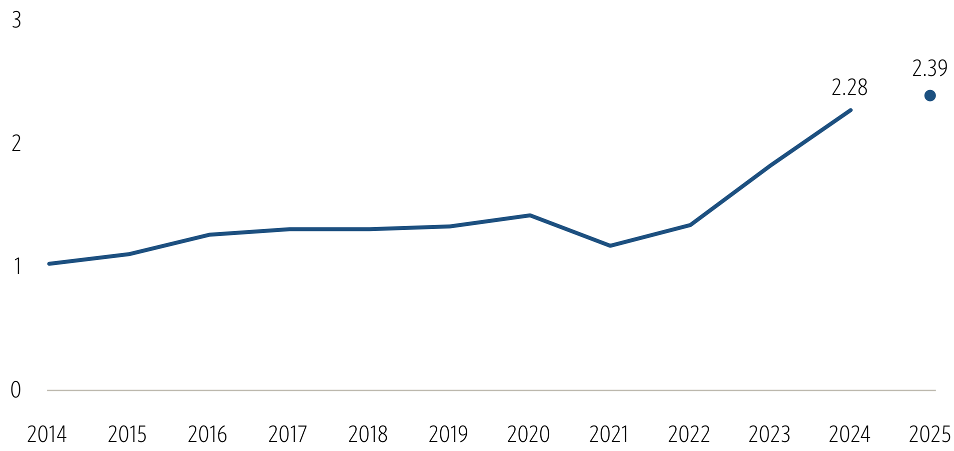
In 2024 alone, there were 59,400 VC-backed startups—13.4x the number of public companies—underscoring the public market's limited capacity to serve as a viable exit channel for most private firms.

These private companies will eventually need to exit—either via shutdowns or liquidity events that return capital to investors, enabling reinvestment and sustaining venture momentum. However, only a small fraction can IPO. The remainder depends on M&A, primarily by public companies.

That pool of acquirers is constrained. Many public firms have been inactive in M&A, especially Big Tech, which faces tighter regulatory oversight and has been diverting capital toward AI infrastructure. The recent proposed Google-Wiz deal signals hope for large M&As, but regulatory clarity remains a hurdle.

Prolonged liquidity constraints have translated into stronger urgency in exits

Median years since last VC round for US VC-backed companies



Source: PitchBook • Geography: US • As of March 31, 2025

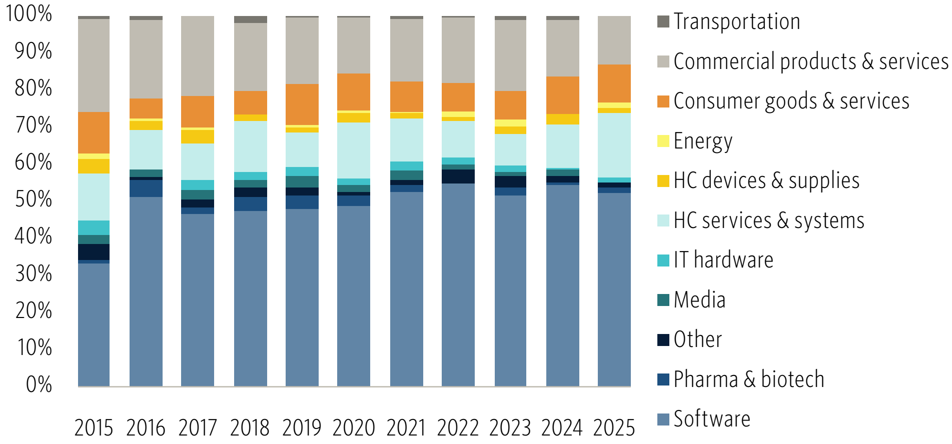
In Q1 2025, the median time since a VC-backed startup's last raise hit 2.4 years—the longest on record and more than double the 2021 level. This reflects a highly selective fundraising environment and highlights mounting liquidity pressure. The sheer volume of private companies and a prolonged sluggishness in the exit landscape have made the need for liquidity increasingly urgent.

Liquidity pressures and the struggle to balance growth with cost containment are prompting more founders to consider M&A. Startups falling short of growth expectations and lacking clear exit paths are becoming more receptive to acquisition offers. The narrowing gap in bid-ask expectations between buyers and sellers is a positive sign for deal activity. GPs are also under increasing pressure to return capital to LPs. Cash acquisitions offer a faster and more predictable path to liquidity than IPOs—making them a preferred route in the current environment.

With a challenging dealmaking climate, asset sales and shutdowns are becoming more common, especially among younger startups. GPs are actively triaging portfolios—doubling down on winners and seeking exit options for weaker performers. The bar for securing follow-on funding is much higher than in recent years, pushing many founders to explore early exits. Buyers with cash on hand have a distinct edge.

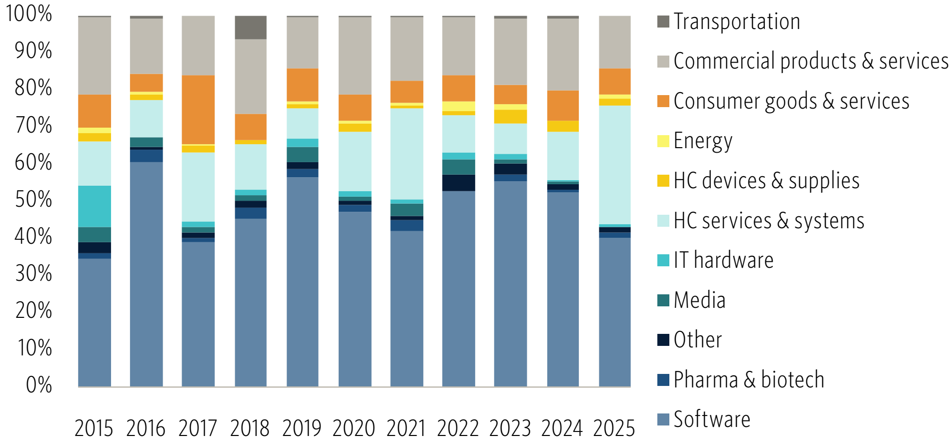
Buyouts

Share of US VC exit count via buyout by sector



Source: PitchBook • Geography: US • As of March 31, 2025
Note: There may be additional deals that have not been captured because they have not been published.

Share of US VC exit value via buyout by sector



Source: PitchBook • Geography: US • As of March 31, 2025
Note: This chart uses extrapolated values. There may be additional deals that have not been captured because they have not been published.

In recent quarters, there has been an uptick in PE inquiries regarding bolt-on opportunities for their platform companies in select sectors. Historically, the top three sectors for US VC buyout exits have been software, commercial products & services, and healthcare services & systems, by both deal count and value.

While buyouts historically constitute a relatively small portion of US VC exits, more buyouts happen than public listings, and they provide an important means of liquidity for the venture ecosystem. A caveat for growing buyout activity lies in macro uncertainty, as PE firms are highly sensitive to interest rates.