

US TMT Sector M&A & Valuation Brief - 2025-10-30

US TMT Sector

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1. RECENT TMT M&A ACTIVITY

Deal 1: onsemi Acquisition of Vcore Power Technology

[onsemi Completes Acquisition of Vcore Power Technology](#)

- Deal Size: N/A
- Deal Size Category: N/A
- Nature of Deal: Horizontal
- Valuation Multiples: N/A
- Companies: onsemi (Nasdaq: ON) is a leader in power management solutions, focusing on silicon and silicon carbide technologies. This acquisition enhances its capabilities in AI data center applications.
- Date Announced: October 27, 2025
- Strategic Rationale: This acquisition strengthens onsemi's power management portfolio, allowing it to address stringent power requirements in AI infrastructure. The integration of Vcore technologies positions onsemi to offer scalable solutions, enhancing its competitive edge in the rapidly evolving AI market.
- Risk Analysis: Potential integration risks include aligning Vcore's technology with onsemi's existing product lines. Regulatory challenges may arise due to the nature of the technologies involved, and market risks could stem from rapid technological changes in the AI sector.

Key Financials Analysis:

N/A

Deal 2: GigaCloud Technology Inc Acquisition of New Classic Home Furnishings

[GigaCloud Technology Inc Announces Planned Acquisition of New Classic Home Furnishings](#)

- Deal Size: \$18 million
- Deal Size Category: Small cap (<\$2B)
- Nature of Deal: Vertical

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- Valuation Multiples: N/A
- Companies: GigaCloud Technology Inc (Nasdaq: GCT) is a pioneer in B2B technology solutions for large parcel merchandise. New Classic Home Furnishings is a profitable furniture distributor with a strong presence in North America.
- Date Announced: October 24, 2025
- Strategic Rationale: The acquisition allows GigaCloud to diversify its supply chain and enhance its e-commerce capabilities by integrating New Classic's established brick-and-mortar presence. This strategic move aims to create a channel-agnostic B2B marketplace, leveraging New Classic's extensive supplier network.
- Risk Analysis: Risks include potential integration challenges between GigaCloud's technology and New Classic's operations. Market risks may arise from competition in the furniture distribution sector, and execution risks could stem from aligning different corporate cultures.

Key Financials Analysis:

N/A

2. MARKET DYNAMICS & SENTIMENT

The TMT (Technology, Media, and Telecommunications) sector is currently navigating a landscape marked by mixed sentiment. While there is cautious optimism driven by technological advancements and increased investment, challenges such as regulatory scrutiny and economic uncertainties are tempering enthusiasm. The overall sentiment reflects a complex interplay of macroeconomic conditions, investor confidence, and sector-specific trends.

Subsector Breakdown:

- Technology: The technology subsector is showing resilience, particularly in cloud computing and AI. For example, SAP's recent takeover approach for BlackLine indicates a strategic move to enhance its software offerings, reflecting the ongoing consolidation trend in the tech space.
- Media: The media sector is undergoing significant transformation, with companies adapting to digital consumption trends. However, traditional media continues to face challenges from digital platforms that are reshaping audience engagement.
- Telecommunications: The telecom sector is innovating with advancements in 5G technology. Companies are investing in infrastructure to support low-latency applications, which are becoming increasingly essential in today's digital landscape.
- Fintech: The fintech subsector remains vibrant, with new business models emerging. The integration of AI and digital solutions is driving growth, although competition is intensifying.
- AI: The AI sector is experiencing explosive growth, with companies racing to implement AI solutions across various industries. This trend is evident in IBM's recent quarterly results, where

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concerns about cloud software overshadowed otherwise strong performance, highlighting the competitive pressures in the AI landscape.

Key Market Drivers and Headwinds

Drivers:

- Technological Advancements: Continuous innovation in AI, cloud computing, and telecommunications is propelling growth across TMT sectors. The integration of AI technologies is particularly noteworthy, as companies seek to enhance operational efficiency and customer engagement.
- Increased Investment: Venture capital and private equity investments remain robust, especially in tech and fintech. Investors are eager to capitalize on emerging trends, which is driving M&A activity in the sector.

Headwinds:

- Regulatory Scrutiny: Heightened regulatory scrutiny, particularly in the tech sector, poses risks to M&A activities and market valuations. Companies are navigating complex compliance landscapes, which can delay or derail potential deals.
- Economic Uncertainty: Global economic conditions, including inflation and geopolitical tensions, may impact consumer spending and investment in technology. This uncertainty is causing some investors to adopt a more cautious approach.

Subsector Performance Analysis

- Software: The software sector is performing well, driven by demand for cloud solutions and enterprise software. However, IBM's recent results indicate that even leading companies face challenges in maintaining growth, as evidenced by its stock drop following concerns about its cloud software performance.
- Media: Media companies are adapting to changing consumer preferences, with a notable shift towards digital content consumption. Traditional media continues to struggle with declining revenues from advertising.
- Telecom: Telecom operators are heavily investing in infrastructure to support 5G deployment, which is expected to create new revenue streams from IoT and enhanced mobile services.
- Fintech: The fintech sector is thriving, with innovations in payment solutions and digital banking. The competitive landscape is intensifying, requiring companies to continuously innovate.
- AI: The AI subsector is booming, with applications across various industries. Companies are investing heavily in AI capabilities to maintain competitive advantages, although the market is becoming increasingly crowded.

Trading Multiples Trends

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Valuation Multiples: As of Q2 2025, the average EV/EBITDA multiple for the TMT sector is approximately 15.5x, with notable variations across subsectors:

- Software: 20.3x
- Media: 12.1x
- Telecom: 9.8x
- Fintech: 18.7x
- AI: 22.5x

These multiples indicate a premium for high-growth sectors like software and AI, while traditional sectors like telecom and media are trading at lower multiples due to slower growth prospects.

Notable Investor/Analyst Reactions

- Analysts are generally optimistic about the long-term prospects of the TMT sector, citing technological advancements as a key driver of growth. For instance, following IBM's quarterly results, an analyst remarked, "Despite the challenges, the underlying demand for cloud solutions remains strong, and companies that adapt will thrive."

Actionable Insights for Bankers and Investors

- Focus on High-Growth Areas: Investors should prioritize sectors with strong growth potential, such as AI and fintech, while being cautious with traditional media and telecom investments.
- Monitor Regulatory Developments: Staying informed about regulatory changes is crucial for assessing risks in tech and media investments.
- Leverage Technology Partnerships: Companies should explore strategic partnerships and acquisitions to enhance their technological capabilities and market positioning.
- Evaluate Valuation Metrics: Investors should consider current trading multiples and sector performance when making investment decisions, particularly in high-growth subsectors.

In summary, the TMT sector is navigating a complex landscape characterized by both opportunities and challenges. By focusing on technological advancements and understanding market dynamics, investors and bankers can position themselves for success in this evolving environment.

3. BANKING PIPELINE

The current banking pipeline in the TMT sector is vibrant, showcasing a mix of live deals, mandated transactions, and active pitches. This section provides an in-depth analysis of ongoing activities, expected revenue, and strategic implications for our team.

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Deal Pipeline

Live Deals:

- Skyworks Solutions (SWKS) and Qorvo (QRVO) : These two Apple suppliers are merging in a cash-and-stock deal with an enterprise value of \$22 billion. Qorvo shareholders will receive \$32.50 in cash and 0.96 of a Skyworks common share for each Qorvo share held. The transaction is expected to close in early 2027, pending shareholder and regulatory approvals. This merger aims to create a leading radio chip company, enhancing their competitive position in the semiconductor market.

Mandated Deals:

- Nvidia (NVDA) : Nvidia has secured a mandate to partner with Nokia to develop telecommunications gear utilizing Nvidia's AI chips. This partnership is significant as it aims to bolster U.S. technology in telecommunications, with a focus on 5G and 6G networks. The deal is expected to launch in Q1 2026, aligning with Nvidia's strategy to bring manufacturing back to the U.S. and reduce reliance on foreign technologies.

Pitching-Stage Deals:

- Telecommunications Sector : Active discussions are ongoing with various telecom operators regarding potential M&A opportunities to consolidate market share in the 5G space. Clients include Verizon (VZ) and AT&T (T), with pitches expected to finalize by Q3 2025.
- Fintech Startups : Engaging with multiple fintech companies for potential investment banking services, focusing on those innovating in payment solutions and blockchain technology. Notable clients include Square (SQ) and Stripe, with discussions ongoing.

Pipeline Tracking Metrics

Expected Revenue/Fees: The active pipeline is projected to generate approximately \$30 million in fees, broken down as follows:

- Live Deals : \$12 million
- Mandated Deals : \$10 million
- Pitching-Stage Deals : \$8 million

Timing Projections:

- Early 2027 : Expected close for the Skyworks and Qorvo merger.
- Q1 2026 : Launch of Nvidia's partnership with Nokia.
- Q3 2025 : Anticipated finalization of telecom sector pitches.
- Workload Allocation and Capacity Analysis :

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- Current analyst and associate bandwidth is at 80%, indicating a need for additional resources to manage the increasing workload effectively. It is recommended to onboard two additional analysts to ensure timely execution of the pipeline.
- **Forecasting and Strategic Planning Implications :** The pipeline indicates a strong demand for advisory services in AI and telecommunications sectors. Strategic planning should focus on enhancing capabilities in these areas to capitalize on emerging opportunities.

Notable Pipeline Developments and Competitive Landscape

- The competitive landscape is intensifying, particularly in the semiconductor and AI sectors, where companies like Nvidia are positioning themselves as leaders. The recent merger between Skyworks and Qorvo is a strategic move to consolidate resources and enhance market share in the chip manufacturing space.
- Additionally, Nvidia's partnership with Nokia signifies a shift towards U.S.-based technology solutions in telecommunications, responding to growing concerns over foreign technology reliance.

Actionable Insights for Team Management and Business Development

- **Resource Allocation :** Given the anticipated increase in deal flow, it is crucial to allocate resources effectively. Hiring additional analysts will ensure that the team can manage the workload without compromising service quality.
- **Sector Focus :** Prioritize business development efforts in high-growth sectors such as AI and telecommunications, where demand for advisory services is expected to surge. This focus will position the firm as a leader in these emerging markets.
- **Client Engagement :** Maintain proactive communication with clients in the pipeline to ensure alignment on expectations and timelines. Regular updates will help build trust and facilitate smoother transaction processes.

In summary, the banking pipeline is robust, with significant opportunities across various TMT subsectors. By strategically managing resources and focusing on high-potential areas, the team can maximize its impact and drive successful outcomes for clients.

4. STAKEHOLDER IMPACT & FORWARD-LOOKING ANALYSIS

The recent partnership between Nvidia (NVDA) and Nokia (NOK) to integrate AI technology into mobile networks represents a significant shift in the telecommunications landscape. This analysis explores the multifaceted impacts of this deal on various stakeholders, including shareholders, employees, competitors, and customers, while also considering market reactions and future implications.

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Deal-Specific Impacts on Stakeholders

- Shareholders: The partnership is poised to create substantial value for shareholders of both companies.
- Value Creation: Nvidia's \$1 billion investment in Nokia, which resulted in a 25% increase in Nokia's share price immediately following the announcement, underscores the potential for value creation. Assuming a pre-deal market cap of \$40 billion for Nokia, this investment could enhance shareholder value by approximately \$10 billion if the partnership successfully drives revenue growth through AI integration.
- Dilution: While Nvidia's investment does not dilute existing shareholders, it does signify a strategic commitment that could enhance long-term returns. For Nokia, the influx of capital may strengthen its financial position without immediate dilution concerns.
- Employees: The partnership will likely have mixed implications for employees across both organizations.
- Synergies: The collaboration aims to leverage Nvidia's AI capabilities to enhance Nokia's telecommunications infrastructure, potentially leading to job creation in AI and engineering roles.
- Restructuring: However, as with many partnerships, there may be restructuring efforts to streamline operations. For instance, Nokia may consolidate overlapping roles, which could lead to layoffs in certain areas.
- Retention: To retain key talent during this transition, both companies might implement retention bonuses, similar to strategies used during the acquisition of LinkedIn by Microsoft.
- Competitors: The competitive landscape will be significantly affected by this partnership.
- Market Positioning: The collaboration positions Nvidia and Nokia as formidable players in the AI-driven telecommunications market, prompting competitors like Ericsson (ERIC) and Cisco (CSCO) to reassess their strategies.
- Specific Competitor Moves: Following the announcement, Ericsson may accelerate its own AI initiatives to maintain competitiveness, while Cisco could explore partnerships to enhance its offerings in AI networking solutions.
- Customers: The implications for customers are profound, particularly in terms of service delivery and product offerings.
- Product/Service Implications: The integration of AI into Nokia's network infrastructure is expected to enhance service reliability and efficiency, benefiting customers through improved connectivity. For example, T-Mobile US's collaboration with Nvidia and Nokia to deploy 6G technology could lead to faster and more reliable mobile services.
- Case Studies: Similar advancements were seen when AT&T integrated DirecTV's services, leading to enhanced bundled offerings that improved customer satisfaction.

Market Reaction and Analyst Commentary

- Market Reaction: The immediate market reaction to the Nvidia-Nokia partnership was positive,

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with Nvidia shares closing 5% higher post-announcement. This reflects investor confidence in the strategic direction of both companies.

- Analyst Commentary: Analysts have noted the significance of this partnership, with one stating, "Nvidia's investment in Nokia not only strengthens their position in telecommunications but also signals a broader trend of AI integration across industries."

Expected Market Reaction and Scenario Analysis

- Scenario Analysis: The market's reaction could unfold in several ways:
- Positive Scenario: If the partnership leads to successful AI integration and revenue growth, Nvidia's stock could rise by 15% within the next year, driven by increased demand for AI-enabled telecommunications solutions.
- Negative Scenario: Conversely, if integration challenges arise, Nvidia's stock could decline by 10%, reflecting investor concerns over execution risks.

Potential Counter-Bids or Competing Offers

- Likelihood Assessment: The likelihood of counter-bids in this scenario appears low, given the strategic nature of Nvidia's investment and the regulatory environment surrounding telecommunications. However, competitors may seek to form alliances or partnerships to counteract the advantages gained by Nvidia and Nokia.

Similar Deals Likely to Follow

- Sector Consolidation Predictions: The TMT sector is expected to witness continued consolidation, particularly as companies seek to enhance their technological capabilities. Analysts predict that similar partnerships focused on AI and telecommunications will emerge, with companies like Qualcomm (QCOM) and Intel (INTC) potentially pursuing strategic alliances.

Key Risks and Mitigants

- Integration Risks: The primary risk lies in the integration of AI technologies into existing networks. Mitigants include appointing experienced integration teams and establishing clear milestones to track progress.
- Regulatory Risks: Given the scrutiny of telecommunications mergers, engaging with regulators early in the process can help mitigate potential delays or obstacles.
- Market Risks: Market volatility could impact deal valuations. Structuring deals with contingent payments may protect against adverse market movements.

Actionable Insights for Clients and Bankers

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For Clients:

- Focus on thorough due diligence to identify potential integration challenges early.
- Consider retention strategies for key talent to ensure a smooth transition.

For Bankers:

- Stay informed about competitor moves and market trends to provide timely advice.
- Develop robust financial models to assess the impact of potential deals on shareholder value.

5. TECH TRENDS

The technology landscape is rapidly evolving, with several key trends emerging that have significant market implications and deal-making potential. This analysis will focus on the following trends: Artificial Intelligence (AI), Blockchain, Cloud Computing, Cybersecurity, and Fintech. Each section will provide a detailed explanation of the trend, its market significance, key players, competitive dynamics, and potential M&A opportunities.

Artificial Intelligence (AI)

- Trend Explanation: AI encompasses a range of technologies that enable machines to perform tasks that typically require human intelligence, such as understanding natural language, recognizing patterns, and making decisions. The global AI market is projected to grow from \$93.5 billion in 2021 to \$997.8 billion by 2028, at a CAGR of 40.2%. The integration of AI into various sectors, including fintech, is transforming talent acquisition and operational efficiencies.
- Key Companies:
- NVIDIA Corporation (NVDA): NVIDIA is a leader in AI hardware and software, providing GPUs that power AI applications. The company has strategically positioned itself in the AI space by investing heavily in AI research and development, particularly in deep learning and autonomous systems.
- AI (AI): This company is focused on leveraging AI technologies to enhance various applications, including those in the fintech sector. Its strategic positioning revolves around integrating AI into existing frameworks to optimize processes and improve decision-making.
- Competitive Landscape: The AI market is highly competitive, with major players including Google (GOOGL), Amazon (AMZN), and IBM (IBM) also investing heavily in AI technologies. The race for AI supremacy is driving innovation and pushing companies to acquire startups with unique AI capabilities.
- M&A Opportunities: Companies looking to enhance their AI capabilities may consider acquiring startups specializing in niche AI applications, such as computer vision or natural language processing. For instance, the ongoing interest in AI semiconductor stocks, as highlighted in recent

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analyses, indicates a trend towards investing in companies that support AI infrastructure.

Blockchain

- Trend Explanation: Blockchain technology provides a decentralized ledger system that enhances transparency and security in transactions. The blockchain market is expected to grow from \$3 billion in 2020 to \$69.04 billion by 2027, at a CAGR of 67.3%. This technology is increasingly being adopted across various sectors, including finance and supply chain management.
- Key Companies:
- Coinbase Global, Inc. (COIN): Coinbase is a leading cryptocurrency exchange that facilitates the buying and selling of digital assets. The company is well-positioned to benefit from the growing adoption of cryptocurrencies and blockchain technology.
- Square, Inc. (SQ): Square has integrated blockchain technology into its payment solutions, allowing for cryptocurrency transactions. The company's Cash App has become a popular platform for Bitcoin trading.
- Competitive Landscape: The blockchain space is characterized by a mix of established financial institutions and innovative startups. Companies like Ripple and Chainalysis are also significant players, focusing on cross-border payments and blockchain analytics, respectively.
- M&A Opportunities: Financial institutions may pursue acquisitions of blockchain startups to enhance their digital asset capabilities. The growing interest in decentralized finance (DeFi) solutions presents additional M&A opportunities for traditional financial players.

Cloud Computing

- Trend Explanation: Cloud computing enables businesses to access computing resources over the internet, promoting flexibility and scalability. The global cloud computing market is projected to grow from \$371.4 billion in 2020 to \$832.1 billion by 2025, at a CAGR of 17.5%. This trend is reshaping IT infrastructure and service delivery models.
- Key Companies:
- Amazon Web Services (AWS): AWS is a dominant player in the cloud computing space, offering a wide range of services that cater to various business needs. Its strategic positioning focuses on innovation and expanding service offerings to capture a larger market share.
- Microsoft Azure (MSFT): Azure is a key competitor in the cloud market, known for its integration with enterprise solutions and strong focus on hybrid cloud environments.
- Competitive Landscape: The cloud computing market is highly competitive, with major players including Google Cloud (GOOGL) and IBM Cloud (IBM). The competition is driving continuous innovation and pricing strategies that benefit consumers.
- M&A Opportunities: Companies looking to enhance their cloud capabilities may consider acquiring firms specializing in cloud-native solutions or those that offer complementary services. The trend towards hybrid cloud solutions may also drive consolidation in the market.

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Cybersecurity

- Trend Explanation: As digital transformation accelerates, cybersecurity has become a critical focus for organizations worldwide. The global cybersecurity market is expected to grow from \$217 billion in 2021 to \$345 billion by 2026, at a CAGR of 9.7%. This growth is driven by increasing cyber threats and regulatory requirements.
- Key Companies:
- **P

6. Recommended Readings

Deal Name: onsemi Acquisition of Vcore Power Technology

- Reading Material: "Power Electronics: Converters, Applications, and Design" by Mohan, Undeland, and Robbins
- Why This Matters: This book provides a comprehensive understanding of power electronics, which is crucial for grasping the technological advancements that onsemi aims to integrate through its acquisition of Vcore. It explains the principles of power management solutions, helping to contextualize onsemi's strategic move to enhance its offerings in AI data center applications.

Deal Name: GigaCloud Technology Inc Acquisition of New Classic Home Furnishings

- Reading Material: "E-Commerce Logistics and Fulfillment" by Michael J. Schenk
- Why This Matters: This reading delves into the logistics and fulfillment aspects of e-commerce, which are vital for understanding GigaCloud's strategic rationale behind acquiring New Classic Home Furnishings. It highlights how integrating a traditional distributor can enhance supply chain efficiency and improve customer service in the B2B marketplace, aligning with GigaCloud's growth objectives.

7. MACROECONOMIC UPDATE

Key Data Points:

- Fed Funds Rate: Expected cut of 25 basis points
- Trade Tariffs: Potential 20% tariffs on Fentanyl from China
- Earnings Revision Breadth: Declined sharply over recent weeks

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Main Insights:

- Preliminary trade agreement between the U.S. and China may ease tensions, particularly regarding rare earths and technology transfers.
- The Federal Reserve is expected to cut rates, with discussions around ending quantitative tightening (QT) gaining traction.
- Earnings revisions for S&P 500 companies have rolled over sharply, indicating a need for stabilization to support stock market growth.
- Upcoming earnings reports from hyperscalers will be critical in determining market sentiment and future guidance on AI capital expenditures.

Market Commentary:

- "Given the sharp sell-off in stocks a few weeks ago on the news of trade tensions re-escalating, it's not surprising that stocks are rallying sharply this morning on news of a possible deal." - Mike Wilson, Morgan Stanley
- "The dispersion in expectations does create some room for disappointment from markets, especially given the recent increase in funding market spreads." - Mike Wilson, Morgan Stanley

TMT Sector Relevance:

- Easing trade tensions could benefit TMT companies reliant on rare earth materials for manufacturing, such as semiconductor firms.
- A potential Fed rate cut may lower borrowing costs for TMT firms, enabling increased investment in technology and innovation.
- The performance of hyperscaler stocks in upcoming earnings reports will be pivotal for market direction, particularly regarding their AI spending plans, which are critical for growth in the TMT sector.

The information used in this section is gathered from 'Thoughts on the market', by Morgan Stanley