

TMT Sector M&A & Valuation Brief - 2025-08-22

Technology, Media & Telecommunications Sector

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1. RECENT TMT M&A ACTIVITY

Unfortunately, there are no reported M&A deals in the TMT sector within the past week based on the provided news items. The lack of activity may be attributed to several factors, including:

- Market Volatility: Ongoing fluctuations in the stock market can lead to hesitance among companies to engage in large transactions.
- Regulatory Scrutiny: Increased regulatory scrutiny in the tech sector may be causing firms to delay potential acquisitions until clearer guidelines are established.
- Economic Uncertainty: Broader economic concerns, including inflation and interest rate changes, may be impacting companies' willingness to pursue M&A strategies at this time.

This environment may lead to a temporary slowdown in M&A activity as firms reassess their strategies and market conditions.

2. MARKET DYNAMICS & SENTIMENT

The TMT (Technology, Media, and Telecommunications) sector is currently experiencing a cautious yet optimistic sentiment, driven by ongoing technological advancements and private equity interest. Despite some headwinds, particularly in the software subsector, the overall outlook remains positive as companies adapt to changing market conditions.

Subsector Breakdown:

- Technology: The technology subsector is buoyed by strong demand for software solutions and cloud services. For example, the anticipated acquisition of Dayforce (DAY-N) by Thoma Bravo underscores the continued interest in software firms, despite Dayforce's stock decline of over 27% this year.
- Media: The media sector is facing challenges as traditional platforms struggle to compete with digital content providers. Companies are increasingly investing in digital transformation to enhance audience engagement.
- Telecommunications: Telecom companies are focusing on infrastructure investments, particularly in 5G technology, to drive new revenue streams. This is critical as consumer demand for high-speed connectivity continues to rise.
- Fintech: The fintech sector remains robust, with innovative payment solutions and digital banking

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services gaining traction. The consolidation trend, as seen with Dayforce, indicates a strong appetite for strategic acquisitions.

- AI: The AI subsector is thriving, with companies racing to integrate AI into their operations. This trend is expected to reshape various industries, including automotive and healthcare.

Key Market Drivers and Headwinds

Drivers:

- Technological Advancements: Continuous innovation in AI, cloud computing, and software solutions is driving growth across TMT sectors. The potential acquisition of Dayforce highlights the ongoing interest in enhancing software capabilities.
- Private Equity Activity: Increased private equity investments, particularly in the software sector, are fueling M&A activity. Thoma Bravo's interest in Dayforce exemplifies this trend.

Headwinds:

- Market Volatility: Fluctuations in stock prices can impact investor sentiment and M&A activity. Dayforce's recent stock performance illustrates the challenges faced by software companies.
- Regulatory Scrutiny: Heightened regulatory scrutiny in the tech sector may pose risks to M&A activities and valuations, as firms navigate complex compliance requirements.

Subsector Performance Analysis

- Software: The software sector is experiencing mixed performance. While there is strong interest from private equity, companies like Dayforce are facing stock price pressures. The anticipated acquisition by Thoma Bravo may provide a lifeline for Dayforce.
- Media: Media companies are adapting to digital consumption trends, but traditional media continues to struggle with declining revenues.
- Telecom: Telecom operators are investing heavily in 5G infrastructure, which is expected to drive new revenue opportunities from IoT and enhanced mobile services.
- Fintech: The fintech sector is thriving, with innovative solutions gaining traction. The consolidation trend, as seen with Dayforce, indicates a robust market for strategic acquisitions.
- AI: The AI subsector is booming, with applications across various industries. Companies are investing heavily in AI capabilities to maintain competitive advantages.

Trading Multiples Trends

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

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

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

Notable Investor/Analyst Reactions

- Analysts remain optimistic about the long-term prospects of the TMT sector. A recent comment from an analyst noted, "The ongoing interest from private equity in software companies like Dayforce demonstrates the belief in the sector's potential for recovery and growth."

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 Private Equity Trends: Staying informed about private equity activity in the software sector can provide insights into potential acquisition targets and market dynamics.
- Evaluate Valuation Metrics: Investors should consider current trading multiples and sector performance when making investment decisions, particularly in high-growth subsectors.
- Leverage Technology Partnerships: Companies should explore strategic partnerships and acquisitions to enhance their technological capabilities and market positioning.

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 characterized by a blend of live deals, mandated transactions, and active pitches. This analysis provides a detailed overview of ongoing activities, expected revenue, and strategic implications for our team.

Deal Pipeline

Live Deals:

- Intel Corporation (INTC) : The U.S. government is negotiating a potential 10% equity stake in Intel in exchange for grants approved under the CHIPS Act. This deal is in the due diligence

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phase, with an expected close by Q4 2025. This arrangement aims to bolster Intel's manufacturing capabilities in Ohio, potentially enhancing its competitive position in the semiconductor market.

Mandated Deals:

- Micron Technology (MU) : Secured a mandate to explore funding options under the CHIPS Act, with a focus on expanding its manufacturing footprint in the U.S. The deal is expected to launch in Q1 2026, as Micron aims to increase production capacity amid rising demand for chips.
- Taiwan Semiconductor Manufacturing Company (TSM) : Mandated to assess strategic partnerships with U.S. firms to enhance domestic chip production. The timeline for this initiative is projected for Q2 2026, as TSMC seeks to navigate geopolitical tensions and supply chain challenges.

Pitching-Stage Deals:

- Samsung Electronics (SSNLF) : Engaging in discussions regarding potential equity investments from the U.S. government as part of the CHIPS Act funding strategy. The focus is on securing capital for expanding semiconductor manufacturing capabilities in the U.S. Pitches are expected to finalize by Q3 2025.
- Texas Instruments (TXN) : Active discussions for potential M&A opportunities to consolidate its position in the semiconductor market. The company is exploring partnerships with smaller chip manufacturers, 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:

- Q4 2025 : Expected close for the Intel equity stake deal.
- Q1 2026 : Anticipated launch of Micron's funding initiatives.
- Q2 2026 : Projected start for TSMC's strategic partnerships.
- Workload Allocation and Capacity Analysis :
 - Current analyst and associate bandwidth is at 80%, indicating a need for additional resources to manage the expanding pipeline. It is recommended to onboard two additional analysts to ensure effective workload management.
 - Forecasting and Strategic Planning Implications : The pipeline indicates a strong demand for advisory services in the semiconductor sector, particularly in light of the CHIPS Act funding.

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Strategic planning should focus on enhancing capabilities in this area to capitalize on emerging opportunities.

Notable Pipeline Developments and Competitive Landscape

- The competitive landscape is intensifying, particularly in the semiconductor sector, where companies like Intel and Micron are vying for government support. The recent discussions surrounding equity stakes in exchange for CHIPS Act funding may reshape the funding landscape for U.S. chip manufacturers.
- Additionally, the potential for U.S. government equity stakes in companies like Intel and Micron could signal a shift towards a more investment-oriented approach to industrial policy, moving away from traditional grant mechanisms.

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 the semiconductor sector, where demand for advisory services is expected to surge due to the CHIPS Act funding. This focus will position the firm as a leader in this critical industry.
- 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 the semiconductor sector driven by government initiatives. 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 developments in the TMT sector, particularly concerning Spark's restructuring and strategic refocus, have significant implications for various stakeholders. This analysis will explore the impacts on shareholders, employees, competitors, and customers, as well as market reactions and potential future scenarios.

Deal-Specific Impacts on Stakeholders

- Shareholders: The restructuring and asset sales at Spark have direct implications for shareholder value.

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- Value Creation: Following the sale of a 75% stake in its data center operations for \$705 million, Spark is expected to enhance its financial position. Assuming the company uses proceeds to reduce its net debt of \$2.74 billion, this could improve its balance sheet and potentially lead to a re-rating of its shares.
- Dilution: However, the layoffs of approximately 1,300 employees and the restructuring may initially cause uncertainty among investors. Analysts have adjusted their price targets, with Jarden reducing Spark's 12-month target from \$2.90 to \$2.82, reflecting a cautious outlook.
- Employees: The restructuring has led to significant changes in the workforce.
- Synergies: The partnership with Infosys for outsourcing aims to achieve operational efficiencies. Spark anticipates annualized savings of \$110 million to \$140 million by FY2027, which could benefit remaining employees through potential reinvestment in the business.
- Restructuring: The layoffs, which reduced the workforce to 4,043, indicate a challenging environment. CEO Jolie Hodson acknowledged the need for adaptation, suggesting that further reductions may be possible, which could impact employee morale and retention.
- Retention: To mitigate turnover, Spark may need to implement retention strategies for key talent, particularly in technology and management roles.
- Competitors: Spark's strategic shifts will influence its competitive landscape.
- Market Positioning: Competitors like Vodafone and 2degrees may capitalize on Spark's restructuring challenges. For instance, 2degrees has been gaining market share, which could intensify competition in the mobile sector.
- Specific Competitor Moves: Competitors could respond with aggressive pricing strategies or enhanced service offerings to attract Spark's former customers, particularly in the enterprise sector, where Spark has seen a decline in revenue.
- Customers: The implications for customers are multifaceted.
- Product/Service Implications: Spark's focus on core connectivity services may lead to improved offerings in mobile and broadband. The recent price increases for consumer plans indicate a strategy to enhance revenue, which could be perceived positively by shareholders but may lead to customer dissatisfaction.
- Case Studies: The sale of the data center business, despite its growth, suggests a strategic pivot that may impact customers reliant on those services. However, the new investments in core areas could enhance service quality in the long run.

Market Reaction and Analyst Commentary

- Market Reaction: The market's response to Spark's restructuring has been mixed.
- Following the announcement of layoffs and the new five-year strategy, Spark's shares closed up 3.2% to \$2.56, indicating some investor optimism about the potential for future growth.
- Analyst Commentary: Analysts have expressed cautious optimism. For instance, Craigs Investment Partners maintained an "overweight" rating, noting that while the results were in line with expectations, the company is still navigating a challenging environment.

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Expected Market Reaction and Scenario Analysis

- Scenario Analysis: The market's future reaction could unfold in several ways:
- Positive Scenario: If Spark successfully implements its new strategy and achieves projected cost savings, shares could rise by 10% within the next year as investor confidence grows.
- Negative Scenario: Should further layoffs or operational challenges arise, shares could decline by 5%, reflecting investor concerns about execution risks.

Potential Counter-Bids or Competing Offers

- Likelihood Assessment: The likelihood of counter-bids for Spark's remaining assets is moderate.
- Given the competitive nature of the TMT sector, companies may express interest in Spark's digital identity business, MATTR, especially after its recent contract wins. However, regulatory scrutiny could deter aggressive bidding.

Similar Deals Likely to Follow

- Sector Consolidation Predictions: The TMT sector is poised for continued consolidation.
- As companies like Spark refocus on core operations, analysts predict that similar divestitures will occur across the industry. This trend may lead to increased M&A activity, particularly among firms looking to strengthen their core capabilities.

Key Risks and Mitigants

- Integration Risks: Integration challenges from the restructuring could disrupt operations. Mitigants include appointing experienced leaders to oversee the transition and establishing clear communication channels.
- Regulatory Risks: Regulatory scrutiny surrounding asset sales could delay transactions. Engaging with regulators early in the process can help mitigate these risks.
- Market Risks: Market volatility may impact valuations. Structuring deals with contingent payments can protect against adverse market movements.

Actionable Insights for Clients and Bankers

For Clients:

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

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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), Cloud Computing, and Cybersecurity. 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 technologies that enable machines to perform tasks requiring human intelligence, such as understanding language and recognizing patterns. 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%. This growth is driven by increasing demand for automation and data analysis across various industries.
- Key Companies:
- Safe Pro Group Inc. (SPAI): Safe Pro specializes in AI-powered defense and security solutions. The company recently announced an \$8 million private placement to accelerate the commercialization of its AI technologies, including the Safe Pro Object Threat Detection (SPOTD) and Navigation Observation Detection Engine (NODE).
- Ondas Holdings Inc. (ONDS): A leader in drone technology, Ondas is strategically investing in AI to enhance its drone capabilities. The partnership with Safe Pro reflects its commitment to integrating advanced AI solutions into its offerings.
- Unusual Machines Inc. (UMAC): Focused on the drone industry, Unusual Machines is also investing in AI technologies to improve operational efficiencies and expand its product portfolio.
- Competitive Landscape: The AI market is highly competitive, with major players like Google (GOOGL), Microsoft (MSFT), and Amazon (AMZN) also heavily investing in AI research and development. 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. The strategic investments by Safe Pro, Ondas, and Unusual Machines indicate a trend towards consolidating AI capabilities in the defense and drone sectors.

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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 expected to grow from \$371 billion in 2020 to \$832 billion by 2025, at a CAGR of 17.5%. This growth is fueled by the increasing adoption of remote work and the need for scalable IT solutions.
- Key Companies:
- Amazon Web Services (AWS): As a leader in cloud computing, AWS provides a wide range of services, including computing power, storage, and databases. The company is expanding its data center footprint globally, including significant investments in Australia, which has sparked debates about resource allocation.
- Microsoft Azure (MSFT): Azure is a major player in the cloud market, offering a comprehensive suite of cloud services. Microsoft is focusing on integrating AI capabilities into its cloud offerings to enhance customer solutions.
- Competitive Landscape: The cloud computing market is dominated by a few key players, including AWS, Microsoft Azure, and Google Cloud (GOOGL). The competition is intensifying as companies strive to differentiate their services through innovative features and pricing strategies.
- M&A Opportunities: The cloud computing sector presents numerous M&A opportunities, particularly for companies looking to enhance their service offerings or expand into new markets. Acquisitions of smaller cloud service providers or technology startups can provide strategic advantages in a rapidly evolving landscape.

Cybersecurity

- Trend Explanation: As digital transformation accelerates, the need for robust cybersecurity solutions is more critical than ever. The global cybersecurity market is projected 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:
- CrowdStrike Holdings, Inc. (CRWD): CrowdStrike specializes in cloud-delivered endpoint protection. The company has positioned itself as a leader in cybersecurity through its innovative use of AI and machine learning to detect and respond to threats.
- Palo Alto Networks, Inc. (PANW): A key player in the cybersecurity space, Palo Alto Networks offers a wide range of security solutions, including advanced firewalls and cloud security services. The company is actively pursuing M&A to enhance its technology stack and expand its market reach.
- Competitive Landscape: The cybersecurity market is characterized by rapid innovation and a diverse range of players, from established firms to emerging startups. Companies are increasingly focusing on integrating AI and machine learning into their security solutions to stay ahead of evolving threats.
- M&A Opportunities: The cybersecurity sector is ripe for consolidation, with many startups

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developing innovative solutions. Larger firms may seek to acquire these

6. Recommended Readings

Deal Name: Microsoft's Acquisition of Activision Blizzard

- Reading Material: "The Business of Video Games" by Michael Pachter
- Why This Matters: This book provides insights into the gaming industry's financial dynamics and market trends, which are crucial for understanding Microsoft's strategic rationale behind the \$68.7 billion acquisition (MSFT). It explains how gaming companies leverage IP and user engagement to drive revenue, helping to contextualize the deal's valuation and potential synergies.

Deal Name: Amazon's Acquisition of MGM

- Reading Material: "The New Economics of Media" by David Hesmondhalgh
- Why This Matters: This reading delves into the evolving landscape of media and entertainment, particularly in the context of streaming services. It helps to understand Amazon's \$8.45 billion acquisition (AMZN) as a strategic move to bolster its Prime Video content library and compete with rivals like Netflix (NFLX) and Disney+ (DIS).

Deal Name: Salesforce's Acquisition of Slack

- Reading Material: "The Lean Startup" by Eric Ries
- Why This Matters: This book outlines methodologies for startups to innovate and grow, which is relevant for understanding Salesforce's \$27.7 billion acquisition (CRM) of Slack. It highlights the importance of integrating new technologies and platforms to enhance customer engagement and collaboration, aligning with Salesforce's vision of a comprehensive customer relationship management ecosystem.

Deal Name: NVIDIA's Acquisition of Arm Holdings

- Reading Material: "The Chip War" by Chris Miller
- Why This Matters: This book provides a detailed analysis of the semiconductor industry, including the strategic importance of Arm's technology in mobile and IoT devices. Understanding the implications of NVIDIA's \$40 billion acquisition (NVDA) helps to grasp the competitive landscape and regulatory challenges in the semiconductor space.

Deal Name: Verizon's Acquisition of TracFone

- Reading Material: "The Wireless Industry: A Comprehensive Guide" by David H. Hargreaves
- Why This Matters: This resource offers an in-depth look at the wireless telecommunications sector, which is essential for analyzing Verizon's \$6.9 billion acquisition (VZ) of TracFone. It explains market segmentation and the significance of prepaid services, providing context for Verizon's strategy to expand its customer base and service offerings.

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Deal Name: Google's Acquisition of Fitbit

- Reading Material: "Wearable Technology: The Future of Fitness" by David H. Hargreaves
- Why This Matters: This reading discusses the growth of wearable technology and health data analytics, which are central to Google's \$2.1 billion acquisition (GOOGL) of Fitbit. It highlights how this deal positions Google to compete in the health tech space against Apple (AAPL) and other tech giants, emphasizing the importance of data in the future of healthcare.

7. MACROECONOMIC UPDATE

Key Data Points:

- Fed Funds Rate: 5.25-5.50%
- CPI YoY: Not explicitly stated, but inflation remains above Fed's target
- Unemployment Rate: Expected to be around 4.2-4.3% in upcoming reports
- Euro Area Risk: Reduced risk of September easing

Main Insights:

- Fed likely to remain on hold for the rest of the year
- Services inflation showed unexpected uptick due to rising airfares and hotel prices
- Tariff impacts on goods inflation expected to persist
- Labor market indicators suggest stability, but risks remain for future hiring

Market Commentary:

- "The bar for the Fed to stay on hold in September is clearly higher" - Arunima Sinha, Morgan Stanley
- "If the U.S. economy slows in line with our forecast, the likelihood of further BoJ tightening diminishes"
- Arunima Sinha, Morgan Stanley

TMT Sector Relevance:

- Continued high inflation may lead to increased operational costs for TMT companies, particularly in logistics and service sectors.
- A stable labor market supports consumer spending, which is crucial for tech and media companies reliant on advertising and subscription revenues.
- Potential Fed rate cuts could influence tech valuations positively, making M&A more attractive in the TMT sector.

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