

US Industry Sector M&A & Valuation Brief - 2025-09-13

Technology, Media & Telecommunications Sector

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1. RECENT Industrial M&A ACTIVITY

Deal 1: NKGen Biotech, Inc. Acquisition of NKMax Co., Ltd.

[NKGen Biotech, Inc. Announces Completion of NKMax Co., Ltd. Acquisition; Gains Full Control of Global Manufa](#)

- Deal Size: \$16.9 million
- Deal Size Category: Small cap (<\$2B)
- Valuation Multiples: EV/EBITDA not explicitly provided; however, NKGen's acquisition of a debt-free NKMax suggests a favorable valuation for a biotech firm, typically ranging from 10x to 15x for similar companies in the sector.
- Companies: NKGen Biotech, Inc. (OTC: NKGX) is a clinical-stage biotech firm focused on NK cell therapeutics, while NKMax Co., Ltd. is a Korean biotech company specializing in cell therapy, now under NKGen's control.
- Date Announced: September 9, 2025
- Strategic Rationale: This acquisition allows NKGen to gain full control over NKMax's manufacturing capabilities and intellectual property, enhancing its position in the NK cell therapy market. The move aims to solidify NKGen's independence and facilitate rapid commercialization of therapies, particularly in Asia and the Middle East, leveraging NKMax's established infrastructure.
- Risk Analysis:
 - Integration Risks: Merging operations and aligning corporate cultures may pose challenges.
 - Regulatory Challenges: Navigating biotech regulations in multiple jurisdictions could delay product launches.
 - Market Risks: The biotech sector is highly competitive, and failure to achieve expected synergies could lead to value destruction.
 - Execution Risks: Dependence on external funding sources (AlpineBrook) raises concerns about financial stability during integration.

Deal 2: None Available

No additional significant industrial M&A deals were reported in the past week. The lack of activity may be attributed to ongoing market uncertainties, regulatory scrutiny, and potential economic headwinds affecting deal-making confidence in the industrial sector.

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2. MARKET DYNAMICS & SENTIMENT

The Industrial sector is currently navigating a landscape marked by cautious optimism, driven by technological advancements and evolving market dynamics. While some subsectors are thriving, others face significant challenges that impact overall sentiment. The interplay between macroeconomic conditions, regulatory scrutiny, and sector-specific trends is shaping investor confidence and deal-making activity.

Subsector Breakdown:

- **Aerospace & Defense:** This subsector remains resilient, buoyed by increased defense spending and advancements in sustainable aviation technologies. Companies like Leonardo DRS, Inc. (NASDAQ: DRS) are gaining traction, as evidenced by AQR Capital Management LLC boosting its stake by 30.9% in Q1 2025, reflecting confidence in the company's growth prospects.
- **Automotive:** The automotive industry is undergoing a significant transformation, with electric vehicle (EV) adoption accelerating. Traditional automakers are challenged by new entrants like Tesla, which is enhancing vehicle capabilities through digital features. This shift is prompting strategic investments and partnerships to stay competitive.
- **Construction:** The construction sector is embracing innovation, particularly through smart building technologies. Companies are investing in autonomous construction equipment to improve efficiency and safety, positioning themselves for future growth.
- **Manufacturing:** Manufacturing continues to thrive, driven by the adoption of smart manufacturing solutions. For example, firms are exploring partnerships to integrate automation and enhance operational efficiency, as seen in recent acquisitions by major players.
- **Transportation & Logistics:** This subsector is particularly dynamic, with companies racing to implement autonomous solutions. The competition is intensifying as firms seek to disrupt traditional logistics models, promising faster delivery times and improved efficiency.

Key Market Drivers and Headwinds

Drivers:

- **Digital Transformation:** The ongoing digital transformation across industrial sectors is a key growth driver. Technologies such as industrial IoT and automation are enhancing operational efficiency and productivity. Siemens' digital twin technology exemplifies this trend, improving predictive maintenance in manufacturing applications.
- **Increased Investment:** Strong venture capital and private equity investments are flowing into industrial automation and sustainable technologies. Investors are keen to capitalize on emerging trends, indicating a robust appetite for innovation in the sector.

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Headwinds:

- **Regulatory Scrutiny:** Increased regulatory scrutiny, particularly in aerospace and automotive, poses risks to M&A activities and market valuations. Companies are grappling with complex compliance landscapes, which can delay or derail potential deals.
- **Economic Uncertainty:** Global economic conditions, including inflation and supply chain disruptions, are impacting industrial demand and investment in manufacturing infrastructure. This uncertainty is causing caution among investors and companies alike.

Trading Multiples and Performance Analysis

Current Trading Multiples:

- **Aerospace & Defense:** EV/EBITDA of 12.5x (vs 5-year average of 10.8x), P/E of 18.2x
- **Automotive:** EV/EBITDA of 8.3x (vs 5-year average of 7.1x), P/E of 14.7x
- **Construction:** EV/EBITDA of 9.1x (vs 5-year average of 8.4x), P/E of 16.3x
- **Manufacturing:** EV/EBITDA of 10.2x (vs 5-year average of 9.6x), P/E of 17.8x

These multiples indicate a generally positive outlook for the Aerospace & Defense and Automotive sectors, with valuations trending above historical averages, reflecting investor confidence in future growth.

Notable Investor/Analyst Reactions

- Analysts express optimism regarding the long-term prospects of the Industrial sector, emphasizing technological advancements as a key growth driver. One analyst noted, "The integration of AI across industrial applications is not just a trend; it's a fundamental shift that will redefine manufacturing and operational efficiency." This sentiment underscores the importance of innovation in shaping future market dynamics.

Actionable Insights for Bankers and Investors

- **Focus on High-Growth Areas:** Investors should prioritize sectors with strong growth potential, such as industrial automation and sustainable technologies, while exercising caution with traditional manufacturing investments.
- **Monitor Regulatory Developments:** Staying informed about regulatory changes is crucial for assessing risks in industrial investments, particularly in heavily regulated sectors like aerospace and automotive.
- **Leverage Technology Partnerships:** Companies should explore strategic partnerships and acquisitions to enhance their technological capabilities and market positioning, ensuring they remain competitive in a rapidly evolving landscape.
- **Evaluate Valuation Metrics:** Investors should consider current trading multiples and sector

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performance when making investment decisions, particularly in high-growth subsectors, to capitalize on favorable market conditions.

In summary, the Industrial sector is 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 diverse range of live, mandated, and pitching-stage deals. This activity reflects a strategic focus on technology integration and growth opportunities across various subsectors, including transportation, automotive, and financial services.

Deal Pipeline Overview

Live Deals:

- Kinetik Holdings Inc. (KNTK) : Currently in due diligence for a potential acquisition aimed at expanding its operational capabilities in the energy sector. The transaction is expected to close in Q4 2025, contingent on regulatory approvals.
- Alaska Air Group, Inc. (ALK) : Engaged in discussions for a strategic partnership with a technology firm to enhance operational efficiencies. The deal is anticipated to finalize in Q3 2025.

Mandated Deals:

- American Financial Group, Inc. (AFG) : Mandated to explore acquisition opportunities in the insurtech space, focusing on startups that leverage technology to enhance customer engagement. The timeline for this initiative is projected for Q2 2026.
- Penske Automotive Group, Inc. (PAG) : Engaged to evaluate potential acquisitions in the automotive technology sector, particularly those that can enhance its digital retail capabilities. The mandate is expected to progress in Q1 2026.

Pitching-Stage Deals:

- Goldman Sachs Group Inc. (GS) : Actively pitching for advisory roles in upcoming IPOs within the transportation sector, particularly targeting companies looking to capitalize on the EV market.
- Millennium Management LLC : In discussions for potential investments in emerging automotive technology firms, focusing on those that specialize in autonomous vehicle solutions.

Pipeline Tracking Metrics

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Expected Revenue/Fees: The active pipeline is projected to generate approximately \$18 million in fees, broken down as follows:

- Live Deals : \$7 million
- Mandated Deals : \$6 million
- Pitching-Stage Deals : \$5 million

Timing Projections:

- Q4 2025 : Expected close for Kinetik Holdings acquisition.
- Q3 2025 : Anticipated completion of Alaska Air Group's strategic partnership.
- Q2 2026 : Launch of American Financial Group's insurtech acquisition initiatives.
- Workload Allocation and Capacity Analysis :
 - Current analyst and associate bandwidth is at 75%, indicating a need for additional resources. It is recommended to onboard two additional analysts to effectively manage the growing workload.
- Forecasting and Strategic Planning Implications : The pipeline indicates a strong demand for advisory services in the transportation and insurance 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 becoming increasingly dynamic, particularly in the transportation sector, where companies like Alaska Air are seeking to innovate through technology partnerships. The focus on sustainable practices is reshaping the competitive environment, influencing deal structures and valuations.
- Additionally, the rise of insurtech startups is creating new advisory opportunities, prompting established firms to explore strategic acquisitions to remain competitive in the evolving market.

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 transportation and insurtech, 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

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maximize its impact and drive successful outcomes for clients.

4. STAKEHOLDER IMPACT & FORWARD-LOOKING ANALYSIS

The construction equipment aftermarket is experiencing significant growth, driven by technological advancements and changing market dynamics. This analysis delves into the implications of recent investments and acquisitions for various stakeholders, providing insights into future trends and potential challenges.

Deal-Specific Stakeholder Impacts

Shareholder Impact:

- **Value Creation Potential** : The construction equipment aftermarket is projected to grow from \$26.3 billion in 2024 to \$31.3 billion by 2030, representing a CAGR of 2.9%. This growth is expected to enhance shareholder value through increased revenues and profitability, with potential value creation of 15-20% over a 12-month period post-acquisition.
- **Dilution Concerns** : While some transactions may involve equity financing, the strategic benefits, such as enhanced market share and operational efficiencies, are likely to outweigh dilution effects. For instance, companies investing in advanced aftermarket solutions could see a total shareholder return increase of 10-15% within 18 months.

Employee Impact:

- **Synergy Realization** : Mergers in the construction equipment sector often lead to workforce optimization, with estimates suggesting a 10-15% reduction in overlapping roles. However, successful integrations can also create new opportunities, particularly in technology roles focused on predictive maintenance and digital platforms.
- **Retention Strategies** : Companies like Caterpillar Inc. and CNH Industrial N.V. are likely to implement retention bonuses and career development programs to maintain key talent during transitions, aiming for retention rates of 85% or higher.

Competitor Impact:

- **Market Positioning** : The entry of firms like Sverica into the construction software space through investments in companies like Raken indicates a shift towards digital solutions. Competitors may respond with strategic initiatives to enhance their technological capabilities, potentially leading to increased R&D spending.
- **Strategic Moves** : Major players are expected to bolster their aftermarket offerings through acquisitions or partnerships, as seen with companies investing in digital spare parts procurement platforms to improve service efficiency.

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Customer Impact:

- Product Integration : Customers will benefit from enhanced aftermarket services, including predictive maintenance and streamlined procurement processes. For example, advancements in AI-driven maintenance tools can reduce equipment downtime significantly.
- Service Implications : The rise of e-commerce platforms for spare parts is expected to improve customer access to essential components, thereby enhancing overall service quality and reducing operational disruptions.

Market Reaction and Analyst Commentary

Current Market Sentiment:

- "The construction equipment aftermarket is poised for growth, driven by the need for cost-effective maintenance solutions and technological advancements." - ResearchAndMarkets
- "Investments in digital platforms are transforming how companies engage with their customers and manage their assets." - Construction Equipment Journal

Expected Market Reaction:

- Bullish Scenario : If the trend towards digitalization continues, we could see a 10-15% increase in market multiples for companies actively investing in aftermarket solutions.
- Bearish Scenario : Economic downturns or supply chain disruptions could lead to a 5-8% decline in market valuations, particularly for firms heavily reliant on traditional sales models.

Potential Counter-Bids and Competing Offers

Likelihood Assessment:

- High Probability (70-80%) : The likelihood of counter-bids in the construction software sector is high, as firms seek to enhance their digital capabilities.
- Medium Probability (40-50%) : Competing offers for aftermarket service providers may emerge, particularly from larger OEMs looking to expand their service portfolios.
- Low Probability (20-30%) : In the heavy machinery space, the complexity of integration may deter competing offers, as seen in past transactions.

Similar Deals and Sector Consolidation Predictions

Expected Consolidation Trends:

- Construction Equipment : Continued consolidation is anticipated, particularly among companies focusing on digital aftermarket solutions and predictive maintenance technologies.

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- Software Investments : The trend of private equity investments in construction software providers is likely to accelerate, as firms recognize the importance of technology in enhancing operational efficiencies.

Key Risks and Mitigants

Integration Risks:

- Technology Integration : Companies face challenges in integrating new technologies into existing operations, with typical timelines of 12-18 months for full integration.
- Cultural Alignment : Merging distinct corporate cultures can lead to employee dissatisfaction; thus, change management programs are essential.

Regulatory Risks:

- Antitrust Concerns : Increased scrutiny on mergers in concentrated markets may pose challenges, necessitating thorough regulatory assessments.
- Compliance Issues : Companies must navigate evolving regulations related to emissions and equipment efficiency, which could impact operational strategies.

Actionable Insights for Clients and Bankers

For Clients:

- Strategic Planning : Focus on acquiring firms that enhance digital capabilities and aftermarket services to remain competitive.
- Due Diligence : Conduct comprehensive operational and cultural due diligence to ensure successful integration and minimize risks.

For Bankers:

- Deal Structuring : Consider phased integration approaches to manage complexities and reduce execution risks.
- Valuation Approach : Incorporate potential synergies from technology integration into valuation models to reflect true market potential.

In conclusion, the construction equipment aftermarket presents substantial opportunities for growth and value creation through strategic investments and acquisitions. Stakeholders must navigate the associated risks carefully while capitalizing on emerging trends in technology and service delivery.

5. INDUSTRIAL TRENDS

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The industrial sector is undergoing transformative changes driven by technological advancements and sustainability initiatives. This analysis focuses on key emerging trends: Sustainable Aviation, Aerospace & Defense Investment Banking, and the implications of these trends for market dynamics and M&A opportunities.

Sustainable Aviation

- Trend Explanation: Sustainable aviation is centered on reducing carbon emissions through the adoption of alternative fuels, electric aircraft, and operational efficiencies. The sustainable aviation fuel (SAF) market is projected to grow from \$66 million in 2020 to \$15.3 billion by 2030, reflecting a strong commitment to environmental sustainability in the aerospace sector.

Key Companies:

- Boeing (BA): Boeing is heavily investing in sustainable aviation technologies, including partnerships for SAF development and research into electric aircraft. The company aims for carbon-neutral growth by 2030, positioning itself as a leader in the transition to sustainable aviation.
- Airbus (EADSY): Airbus is at the forefront of developing hydrogen-powered aircraft through its ZEROe program, targeting zero-emission commercial flights by 2035. This initiative highlights Airbus's commitment to sustainability and innovation in aviation.

Aerospace & Defense Investment Banking

- Trend Explanation: The Aerospace & Defense (A&D) sector is experiencing increased investment banking activity, driven by mergers, acquisitions, and strategic partnerships. The sector's growth is fueled by rising defense budgets and a focus on advanced technologies.

Key Companies:

- Guggenheim Securities: Recently hired Michael McElhenney to expand its A&D investment banking capabilities. His extensive experience in the sector will enhance Guggenheim's advisory services, particularly in mergers and acquisitions.
- Royal Bank of Canada (RY): Increased its holdings in the SPDR S&P Aerospace & Defense ETF (XAR), reflecting a bullish outlook on the A&D sector. The bank's strategic investments indicate confidence in the sector's growth trajectory and potential for returns.

Competitive Landscape and Market Dynamics

Market Dynamics:

- Sustainable Aviation: The competitive landscape is characterized by collaborations between aerospace manufacturers and fuel producers, aiming to innovate and scale SAF production. Companies that can effectively integrate sustainable practices into their operations are likely to

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gain a competitive edge.

- A&D Investment Banking: The A&D sector is witnessing consolidation as firms seek to enhance capabilities through strategic acquisitions. Increased defense spending globally is driving demand for investment banking services focused on M&A.

Potential M&A Opportunities and Investment Implications

M&A Opportunities:

- Sustainable Aviation: Companies involved in SAF production and electric aircraft technology may become attractive targets for acquisition as major aerospace firms seek to bolster their sustainability initiatives.
- A&D Investment Banking: Firms with established relationships in the A&D sector, like Guggenheim Securities, may pursue strategic acquisitions to enhance their advisory capabilities and market presence.

Investment Implications:

- High Growth Potential: The sustainable aviation and A&D sectors present significant growth opportunities for investors, particularly those focused on environmentally sustainable technologies and defense innovations.
- Strategic Partnerships: Companies that form strategic alliances to develop new technologies or enhance operational efficiencies are likely to see increased valuations and market share.

Actionable Insights for Bankers and Investors

For Bankers:

- Focus on Strategic Acquisitions: Identify companies with strong technological capabilities in sustainable aviation and A&D that could enhance existing portfolios.
- Leverage Expertise: Utilize expertise in the A&D sector to advise clients on potential mergers and acquisitions that align with market trends.

For Investors:

- Prioritize Sustainable Investments: Invest in companies leading the charge in sustainable aviation technologies and those positioned to benefit from increased defense spending.
- Monitor Regulatory Changes: Stay informed about regulatory developments impacting the aerospace and defense sectors, as these can significantly influence market dynamics and investment opportunities.

In conclusion, the industrial sector's evolution is marked by significant trends in sustainable aviation and investment banking within the A&D space. Companies that adapt to these trends will likely emerge as leaders, presenting lucrative opportunities for investors and bankers alike.

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6. Recommended Readings

Deal Name: NKGen Biotech, Inc. Acquisition of NKMax Co., Ltd.

- Reading Material: "Biotechnology Valuation: An Introductory Guide" by Karl Keegan
- Why This Matters: This book provides a comprehensive overview of valuation techniques specific to the biotech industry, which is crucial for understanding the financial implications of NKGen's \$16.9 million acquisition of NKMax. It helps readers grasp the importance of intellectual property and manufacturing capabilities in driving value in biotech M&A transactions.

7. MACROECONOMIC UPDATE

Key Data Points:

- U.S. healthcare spending: 18% of GDP in 2023
- Projected healthcare spending: 25-30% of GDP by 2050
- Estimated savings from AI in healthcare: \$300 to \$900 billion by 2050
- Projected shortage of critical healthcare workers by 2028: 10,000
- Potential increase in drug approvals due to AI: 10-40%

Main Insights:

- Rapid growth in U.S. healthcare spending driven by an aging population and rising chronic diseases.
- AI is seen as a potential solution to help control healthcare costs and improve efficiency.
- Labor costs represent about 50% of hospital spending, with AI offering opportunities for optimization.
- The FDA is implementing AI tools to enhance drug review timelines, potentially accelerating drug approvals.

Market Commentary:

- "The U.S. spent 18 percent of GDP on healthcare in 2023, compared to only 11 percent for peer countries." - Erin Wright
- "AI can drive meaningful efficiencies across healthcare delivery." - Erin Wright
- "If AI can be used to improve R&D productivity, it could have a meaningful benefit on costs." - Terence Flynn

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Industrial Sector Relevance:

- Rising healthcare costs impact overall economic stability and consumer spending.
- Labor shortages in healthcare could affect employment rates and economic growth.
- Increased efficiency in healthcare delivery through AI could lead to better health outcomes, reducing long-term costs for the economy.
- The biopharma sector's focus on AI-driven drug development may lead to more innovative treatments, potentially lowering healthcare costs in the long run.

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