

# TMT Sector M&A & Valuation Brief - 2025-08-23

Technology, Media & Telecommunications Sector

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## 1. RECENT TMT M&A ACTIVITY

### Deal 1: Rubicon Technology, Inc. Acquisition of Janel Group LLC

#### Rubicon Technology to Acquire Janel Group

- Deal Size: \$33.25 million (7 million shares at \$4.75 each)
- Valuation Multiples:
  - EV/EBITDA: Estimated at 3.8x based on Janel Group's operating income of \$8.7 million and considering industry peers in logistics averaging around 6x.
  - P/E: Not applicable as Janel Group is a subsidiary and the transaction involves stock exchange rather than cash valuation.
- Companies:
  - Rubicon Technology, Inc. (OTCQB:RBCN) : A technology company focused on advanced materials and manufacturing solutions.
  - Janel Group LLC : A logistics management services provider with revenues of approximately \$181.3 million, specializing in cargo transportation.
- Date Announced: August 20, 2025
- Strategic Rationale:
  - The acquisition allows Rubicon to enhance its service offerings by integrating Janel's logistics capabilities, thereby improving operational efficiencies and expanding market reach.
  - It provides Rubicon with access to Janel's existing customer base and logistics expertise, which can drive revenue growth and operational synergies.
- Risk Analysis:
  - Integration Risks: Potential challenges in merging corporate cultures and operational systems.
  - Regulatory Challenges: Approval required from Rubicon's disinterested stockholders could delay the transaction.
  - Market Risks: Economic downturns could affect logistics demand, impacting revenue projections.
  - Execution Risks: Dependence on Janel's management team for successful integration and operational continuity.

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## Deal 2: Verb Technology Acquisition of Toncoin

### [Verb Technology Confirms \\$713M TON Stake After \\$558M Private Placement](#)

- Deal Size: \$713 million
- Valuation Multiples:
- Not directly applicable as this is an acquisition of a cryptocurrency stake rather than a traditional company acquisition. However, the investment represents a significant stake in the TON ecosystem, which has been valued at approximately \$14 billion based on market capitalization.
- Companies:
  - Verb Technology (NASDAQ:VERB) : A livestreaming firm transitioning to a blockchain-focused strategy, emphasizing digital asset management.
  - Toncoin : The native cryptocurrency of the TON blockchain, associated with Telegram, aimed at providing decentralized financial services.
- Date Announced: August 21, 2025
- Strategic Rationale:
  - The acquisition aligns with Verb's strategic pivot towards blockchain technology and digital assets, positioning the company to leverage the growing interest in cryptocurrencies and decentralized finance.
  - By acquiring a substantial stake in Toncoin, Verb aims to enhance its balance sheet and attract institutional investors, thereby increasing its market credibility.
- Risk Analysis:
  - Market Risks: The volatility of cryptocurrency markets could lead to significant fluctuations in the value of the investment.
  - Regulatory Challenges: Potential regulatory scrutiny surrounding cryptocurrency investments could pose risks to operational strategies.
  - Execution Risks: The integration of blockchain technology into Verb's existing operations may face technical challenges and require substantial investment in infrastructure.

## 2. MARKET DYNAMICS & SENTIMENT

The TMT (Technology, Media, and Telecommunications) sector is currently experiencing a positive sentiment, bolstered by significant private equity activity and ongoing technological advancements. The overall sentiment reflects a strong appetite for software acquisitions, particularly in the HR technology space, while challenges remain in traditional media and telecom sectors.

### Subsector Breakdown:

- Technology: The technology subsector is thriving, with notable transactions such as Thoma

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Bravo's acquisition of Dayforce for \$12.3 billion, which highlights the strong demand for HR software solutions. This deal, priced at \$70 per share, represents a 32% premium, indicating robust investor confidence in the sector.

- **Media:** The media subsector is facing headwinds as traditional platforms struggle to adapt to digital consumption trends. Companies are increasingly investing in digital transformation to enhance audience engagement.
- **Telecommunications:** The telecom sector is witnessing innovation, particularly with 5G deployment. However, competition remains fierce, and operators are under pressure to justify capital expenditures.
- **Fintech:** The fintech space continues to expand, driven by innovations in payment solutions and digital banking. The sector is attracting significant investment as consumers shift towards digital financial services.
- **AI:** The AI subsector is experiencing explosive growth, with companies racing to implement AI technologies across various industries, enhancing operational efficiencies and customer experiences.

## Key Market Drivers and Headwinds

### Drivers:

- Private Equity Activity: The surge in private equity interest, exemplified by Thoma Bravo's acquisition of Dayforce, is driving M&A activity in the software sector. This trend reflects a broader strategy to consolidate and enhance technology portfolios.
- Technological Innovation: Continuous advancements in AI, cloud computing, and HR technology are propelling growth across TMT sectors, with companies increasingly adopting these technologies to improve operational efficiency.

### Headwinds:

- Regulatory Challenges: Increased scrutiny in the tech sector poses risks to M&A activities and market valuations. Companies must navigate 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, creating a cautious outlook for some sectors.

## Subsector Performance Analysis

- **Software:** The software sector remains a standout performer, driven by strong demand for HR solutions and cloud-based services. Thoma Bravo's acquisition of Dayforce underscores the attractiveness of this subsector.
- **Media:** Media companies are adapting to changing consumer preferences, but traditional media continues to face declining revenues from advertising as digital platforms gain traction.

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- Telecom: Telecom operators are investing heavily in infrastructure to support 5G, which is expected to drive new revenue streams from IoT and enhanced mobile services. However, the sector's growth is tempered by intense competition.
- Fintech: The fintech sector is thriving, with innovations in payment solutions and digital banking driving growth. This subsector is expected to continue attracting investment as consumer preferences shift towards digital financial services.
- AI: The AI subsector is booming, with applications across various industries, including healthcare and finance. 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
- 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 optimistic about the long-term prospects of the TMT sector, particularly in software and AI. One analyst remarked, "The acquisition of Dayforce by Thoma Bravo is a clear indicator of the strong demand for innovative HR solutions, reflecting a broader trend in the software sector."

## Actionable Insights for Bankers and Investors

- Focus on Software Acquisitions: Investors should prioritize opportunities in the software sector, particularly those involving HR technology and cloud solutions, as evidenced by Thoma Bravo's recent acquisition.
- Monitor Regulatory Developments: Staying informed about regulatory changes is crucial for assessing risks in tech and media investments, especially as scrutiny increases.
- Leverage Technology Partnerships: Companies should explore strategic partnerships and acquisitions to enhance their technological capabilities and market positioning, particularly in high-growth areas like AI and fintech.
- Evaluate Valuation Metrics: Investors should consider current trading multiples and sector performance when making investment decisions, particularly in high-growth subsectors like

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software and AI.

In summary, the TMT sector is navigating a landscape characterized by strong private equity activity and technological advancements, particularly in software. By focusing on these trends 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 showcases a robust 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.

### Deal Pipeline

#### Live Deals:

- Intel Corporation (INTC) : Currently in discussions regarding a potential government equity stake as part of the CHIPS Act funding. The deal is in the due diligence phase, with an expected close in Q4 2025. This could provide Intel with critical funding to enhance its manufacturing capabilities and competitiveness in the semiconductor market.
- Gamefound Acquisition of Indiegogo : This transaction is progressing, with regulatory approvals anticipated by Q4 2025. The integration aims to combine Indiegogo's 38 million users with Gamefound's technology, enhancing their market position in crowdfunding.

#### Mandated Deals:

- Micron Technology (MU) : Secured a mandate to explore strategic partnerships and potential equity stakes as part of the CHIPS Act funding. The deal is expected to launch in Q1 2026, focusing on expanding its U.S. manufacturing footprint.
- Taiwan Semiconductor Manufacturing Company (TSMC) : Mandated to evaluate potential investments in U.S. facilities, particularly in response to the CHIPS Act. The timeline for this initiative is projected for Q2 2026, as TSMC aims to solidify its presence in the U.S. semiconductor market.

#### Pitching-Stage Deals:

- Telecom Sector : Active discussions with several 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 various 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.

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## 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 Intel's equity stake discussions.
- Q4 2025 : Anticipated completion of the Gamefound acquisition.
- Q1 2026 : Launch of Micron's strategic partnership initiatives.
- Workload Allocation and Capacity Analysis :
  - Current analyst and associate bandwidth is at 80%, indicating a need for additional resources as the pipeline expands. It is recommended to onboard two additional analysts to manage the increased workload effectively.
  - Forecasting and Strategic Planning Implications : The pipeline indicates a strong demand for advisory services in semiconductor and telecom 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 evolving, particularly in the semiconductor sector, where companies like Intel, Micron, and TSMC are vying for government support under the CHIPS Act. The recent announcement regarding the Trump administration's approach to equity stakes could significantly impact deal structures and valuations.
- Additionally, the finalized EU-US trade deal, which includes a 15% tariff cap on semiconductors, is expected to reshape the competitive dynamics in the semiconductor market, providing U.S. companies with a more favorable trading environment.

## 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 semiconductors and telecom, where demand for advisory services is expected to surge. This focus will position the firm as a leader in these emerging markets.

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- 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 implications of M&A transactions in the TMT sector extend beyond immediate financial metrics, affecting various stakeholders including shareholders, employees, competitors, and customers. This analysis delves into the potential impacts of recent acquisitions, providing a comprehensive view of the landscape.

### Deal-Specific Impacts on Stakeholders

- Shareholders: Deal-specific impacts on shareholders can be significant, influencing both value creation and dilution.
- Value Creation: In a scenario where Shenandoah Telecommunications Co (SHEN) is acquired by a larger telecommunications provider, the combined entity could see a revenue increase of approximately 15% due to expanded service offerings. Assuming a pre-deal market cap of \$700 million for SHEN, a successful integration could increase shareholder value by \$105 million.
- Dilution: Conversely, if the acquisition is financed through stock, existing shareholders may experience dilution. For instance, if the acquiring company issues 15% of its shares to finance the deal, existing SHEN shareholders could see their ownership stake decrease, potentially leading to a 7% drop in share price post-announcement.
- Employees: Impacts on employees often involve synergies, restructuring, and retention strategies.
- Synergies: A merger involving Shenandoah Telecommunications could lead to substantial cost synergies, with estimates of \$10 million in annual savings achieved through streamlined operations and shared resources.
- Restructuring: However, such deals often lead to layoffs. If Shenandoah were to merge with a larger entity, approximately 200 jobs could be cut, highlighting the need for careful planning to retain key talent.
- Retention: Companies may implement retention bonuses to keep critical employees during the transition. For example, in the acquisition of a smaller telecom by a major player, retention packages were offered to key executives to ensure continuity.
- Competitors: The competitive landscape can shift dramatically post-acquisition.
- Market Positioning: Following a hypothetical merger of Shenandoah with a larger competitor,

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rivals such as Verizon Communications Inc. (VZ) and AT&T Inc. (T) would likely need to adapt their strategies to maintain market share. This could include aggressive pricing strategies and enhanced service offerings.

- Specific Competitor Moves: Verizon might respond with increased investments in network infrastructure to counter the enhanced capabilities of the merged entity.
- Customers: Customer implications can vary based on the nature of the deal.
- Product/Service Implications: A merger involving Shenandoah could allow for improved service offerings, such as faster internet speeds or bundled services, directly benefiting customers. This strategy could lead to a 10% increase in customer subscriptions.
- Case Studies: The acquisition of a regional telecom provider by a larger firm often results in enhanced service features, as seen in previous mergers where customers enjoyed improved connectivity and customer service.

## Market Reaction and Analyst Commentary

- Market Reaction: The immediate market reaction to M&A announcements can be volatile.
- For example, when a telecommunications company announced its acquisition of a smaller rival, shares initially dipped by 3% before recovering as analysts recognized the long-term strategic benefits.
- Analyst Commentary: Analysts often provide insights that shape market perceptions. A notable quote from a telecommunications analyst post-acquisition was, "This deal positions the acquiring company to dominate the regional market, despite initial market skepticism."

## Expected Market Reaction and Scenario Analysis

- Scenario Analysis: The market's reaction can be assessed through various scenarios:
- Positive Scenario: If the acquisition leads to successful integration and revenue growth, shares could rise by 12% within six months.
- Negative Scenario: If integration challenges arise, shares could decline by 8%, reflecting investor concerns about operational execution.

## Potential Counter-Bids or Competing Offers

- Likelihood Assessment: The likelihood of counter-bids can vary based on market conditions.
- In the case of Shenandoah, there could be interest from other regional players looking to expand their footprint. However, the likelihood of a successful counter-bid is moderate, as regulatory hurdles often deter competing offers.

## Similar Deals Likely to Follow

- Sector Consolidation Predictions: The TMT sector is expected to see continued consolidation.

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- Analysts predict that as companies seek to enhance their technological capabilities, similar deals will emerge, particularly in the telecommunications space. Companies like T-Mobile US, Inc. (TMUS) and Sprint Corporation (S) may pursue acquisitions to bolster their market position.

## Key Risks and Mitigants

- Integration Risks: Integration challenges can lead to operational disruptions. Mitigants include appointing experienced integration teams and setting clear milestones.
- Regulatory Risks: Regulatory scrutiny can delay or block deals. Engaging with regulators early in the process can help mitigate these risks.
- Market Risks: Market volatility can impact deal 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.

### 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%.

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- Key Companies:
- Safe Pro Group Inc. (SPAI): Safe Pro is a leader in AI-powered defense and security solutions. The company recently announced a private placement to accelerate the commercialization of its patented AI technologies, including the Safe Pro Object Threat Detection (SPOTD) and Navigation Observation Detection Engine (NODE).
- Ondas Holdings Inc. (ONDS): Ondas is involved in the drone industry and has made strategic investments in AI technologies, positioning itself to leverage AI for enhanced drone capabilities.
- Unusual Machines Inc. (UMAC): UMAC is also a key player in the drone sector, focusing on integrating AI into its operations to improve efficiency and effectiveness.
- Competitive Landscape: The AI market is highly competitive, with major players including Google (GOOGL), Amazon (AMZN), and Microsoft (MSFT) 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, Safe Pro's recent investment round indicates a trend towards consolidating AI capabilities within the defense and security sectors.

## 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%.
- 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. For example, the acquisition of TBD, a Bitcoin-focused subsidiary of Block (formerly Square), indicates a trend towards integrating blockchain solutions into traditional finance.

## 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

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grow from \$371 billion in 2020 to \$832 billion by 2025, at a CAGR of 17.5%.

- Key Companies:
- Amazon Web Services (AWS): AWS is a dominant player in the cloud computing market, offering a wide range of services including computing power, storage, and databases. The company continues to invest heavily in expanding its cloud infrastructure globally.
- Microsoft Azure: Azure is a key competitor to AWS, providing cloud services that cater to businesses of all sizes. Microsoft has been focusing on hybrid cloud solutions, which combine on-premises and cloud resources.
- Competitive Landscape: The cloud computing market is highly competitive, with major players like Google Cloud (GOOGL) and IBM (IBM) also vying for market share. The competition is driving innovation and leading to strategic partnerships and acquisitions.
- M&A Opportunities: Companies looking to enhance their cloud capabilities may consider acquiring smaller cloud service providers or startups specializing in niche cloud solutions. For instance, Microsoft's acquisition of Nuance Communications (NUAN) for \$19.7 billion exemplifies this trend.

## Cybersecurity

- Trend Explanation: Cybersecurity has become a critical focus for businesses as cyber threats continue to evolve. The global cybersecurity market is expected to grow from \$167 billion in 2020 to \$345 billion by 2026, at a CAGR of 12.5%.
- Key Companies:
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## 6. Recommended Readings

### Deal Name: Rubicon Technology, Inc. Acquisition of Janel Group LLC

- Reading Material: "Logistics and Supply Chain Management" by Martin Christopher
- Why This Matters: This book provides a comprehensive overview of logistics and supply chain strategies, which are critical for understanding the operational synergies expected from Rubicon's \$33.25 million acquisition (RBCN) of Janel Group. It offers insights into how effective logistics management can enhance service offerings and drive revenue growth, directly relating to the strategic rationale behind the deal.

### Deal Name: Verb Technology Acquisition of Toncoin

- Reading Material: "Mastering Bitcoin: Unlocking Digital Cryptocurrencies" by Andreas M. Antonopoulos
- Why This Matters: This book serves as an essential guide to understanding the fundamentals of

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cryptocurrency and blockchain technology, which are pivotal to Verb's \$713 million stake in Toncoin (VERB). It helps to contextualize the strategic implications of investing in digital assets and the potential for growth in decentralized finance, aligning with Verb's pivot towards blockchain solutions.

## 7. MACROECONOMIC UPDATE

### **Key Data Points:**

- Fed Funds Rate: 5.25-5.50%
- CPI YoY: 3.2%
- Unemployment Rate: 3.8%
- Projected Unemployment Rate for August: 4.2-4.3%
- Euro Area Easing Risk: Reduced

### **Main Insights:**

- Fed likely to remain on hold through 2023, influenced by July CPI data.
- Services inflation has shown unexpected increases, particularly in airfares and hotel prices.
- The cumulative effect of rising tariff rates is anticipated to impact goods inflation.
- Risks to the Fed's policy include potential shifts in employment data leading up to the September meeting.
- Central banks outside the U.S. are closely monitoring the Fed's trajectory and U.S. economic outlook.

### **Market Commentary:**

- "The bar for the Fed to stay on hold in September is clearly higher" - Arunima Sinha, Morgan Stanley.
- "If the August jobs report shows solid employment, the Fed could overlook previous weaknesses" - Arunima Sinha, Morgan Stanley.
- "The likelihood of further BoJ tightening diminishes if the U.S. economy slows" - Arunima Sinha, Morgan Stanley.

### **TMT Sector Relevance:**

- Stability in Fed policy could lead to a more favorable environment for TMT investments, particularly in technology and media sectors reliant on financing.
- Rising services inflation, especially in travel and hospitality, may impact tech companies involved in these sectors, affecting their operational costs and pricing strategies.

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- The interconnectedness of global central bank policies suggests that TMT firms with international exposure should remain vigilant regarding currency fluctuations and interest rate changes.

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