

# US TMT Sector M&A & Valuation Brief - 2025-09-26

Technology, Media & Telecommunications Sector

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## 1. RECENT TMT M&A ACTIVITY

### Deal 1: Youxin Technology Ltd Acquisition of Celnet Technology Co., Ltd.

#### Youxin Technology Ltd Enters into Definitive Agreement to Acquire Celnet Technology Co., Ltd.

- Deal Size: \$736,461 (approximate)
- Deal Size Category: Small cap (<\$2B)
- Nature: Horizontal
- Valuation Multiples: Not applicable due to the small size of the deal and lack of public financials for Celnet.
- Companies: Youxin Technology Ltd (Nasdaq: YAAS), a SaaS and PaaS provider focused on retail digital transformation, acquiring Celnet Technology Co., Ltd., a leading Salesforce partner in China specializing in CRM solutions.
- Date Announced: September 22, 2025
- Strategic Rationale: This acquisition aims to enhance Youxin's enterprise SaaS capabilities by integrating Celnet's AI-driven CRM solutions, thereby strengthening its competitive position in the digital transformation market in China. The synergy is expected to accelerate growth and improve service offerings.
- Risk Analysis: Potential risks include integration challenges, reliance on Celnet's performance to meet targets for equity incentives, and market competition in the rapidly evolving SaaS sector.

### Key Financials Analysis:

- Revenue Breakdown: Not available due to lack of public financials for Celnet.
- Profitability Ratios: Not applicable due to the small size of the deal and lack of public financials for Celnet.
- Leverage Analysis: Not applicable due to the small size of the deal and lack of public financials for Celnet.
- Asset Operating Efficiency: Not applicable due to the small size of the deal and lack of public financials for Celnet.
- Valuation Context: The deal size is relatively small, indicating a strategic move rather than a financial investment.

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Metric	Youxin Technology Ltd
EBITDA	(Not available)
EBIT	Not available
Net Income	Not available
Year-over-Year Growth (3 years)	Not available

## 2. Deal 2: onsemi Acquisition of Vcore Power Technology

### [onsemi to Acquire Vcore Power Technology from Aura Semiconductor to Strengthen AI Data Center Leadership](#)

- Deal Size: Not specified, but expected to be significant given the strategic nature of the acquisition.
- Deal Size Category: Mid cap (\$2B-\$10B) (estimated based on industry context)
- Nature: Vertical
- Valuation Multiples: Not disclosed, but onsemi's strategic focus on AI data centers suggests a premium valuation may be expected.
- Companies: onsemi (Nasdaq: ON), a leader in power management solutions, acquiring Vcore Power Technology from Aura Semiconductor, enhancing its capabilities in AI data center applications.
- Date Announced: September 23, 2025
- Strategic Rationale: This acquisition aims to bolster onsemi's power management portfolio, enabling it to meet the growing demands of AI infrastructure. The integration of Vcore's technologies is expected to enhance efficiency and power density in AI data centers.
- Risk Analysis: Risks include integration complexities, potential regulatory scrutiny, and the challenge of aligning Vcore's technology with onsemi's existing

## 2. MARKET DYNAMICS & SENTIMENT

The TMT (Technology, Media, and Telecommunications) sector is currently navigating a landscape marked by both opportunities and challenges. Recent developments, particularly in the software and cybersecurity subsectors, have generated a wave of investor interest, while regulatory scrutiny continues to loom over major players. Overall, sentiment in the sector is cautiously optimistic, driven by strategic partnerships and acquisitions.

### Subsector Breakdown:

- Technology: The technology subsector, particularly software, is experiencing a surge in interest. Oracle's recent involvement in the TikTok deal, where it will control the app's U.S. operations alongside Silver Lake, highlights the strategic importance of software companies in managing

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data security and compliance. This deal is expected to bolster Oracle's cloud business, which already accounts for a significant portion of its revenue.

- Media: The media landscape is shifting, with traditional platforms struggling to compete against digital giants. The TikTok deal reflects a broader trend where media companies must adapt to regulatory pressures and changing consumer preferences.
- Telecommunications: The telecom sector is innovating with new technologies, although it faces challenges from regulatory environments and competition. Investments in 5G infrastructure are critical for future growth.
- Fintech: The fintech sector remains robust, with ongoing consolidation as firms seek to enhance their market positions. The acquisition of Indiegogo by Gamefound exemplifies this trend, as companies look to integrate services and expand their user bases.
- AI: The AI subsector is booming, with companies racing to implement AI solutions across various industries. The focus on AI is evident in Oracle's strategy to leverage TikTok's content recommendation algorithm, which will be retrained on U.S. user data.

## Key Market Drivers and Headwinds

### Drivers:

- Technological Advancements: Continuous innovation, particularly in AI and cloud computing, is driving growth across TMT sectors. Oracle's partnership with TikTok is a prime example of leveraging technology to address national security concerns while expanding market reach.
- Increased Investment: Institutional interest in technology stocks remains strong. For instance, Farther Finance Advisors LLC increased its stake in the iShares Expanded Tech-Software Sector ETF (IGV) by 21.7%, reflecting confidence in the software sector's growth potential.

### Headwinds:

- Regulatory Scrutiny: The TMT sector faces increasing regulatory challenges, particularly in the tech space. The TikTok deal underscores the complexities of navigating compliance while pursuing growth opportunities.
- Economic Uncertainty: Global economic conditions, including inflation and geopolitical tensions, may impact consumer spending and investment in technology, creating a cautious outlook for some investors.

## Subsector Performance Analysis

- Software: The software sector is thriving, with companies like Oracle and Guidewire Software (GWRE) reporting strong earnings growth. Oracle's cloud business, bolstered by its TikTok partnership, is expected to continue driving revenue.
- Media: Media companies are adapting to digital consumption trends, but face headwinds from regulatory scrutiny and competition from tech platforms. The TikTok deal is a critical move to secure a foothold in the U.S. market.

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- Telecom: Telecom operators are investing heavily in 5G infrastructure, which is essential for future growth. However, regulatory challenges may hinder expansion efforts.
- Fintech: The fintech sector is witnessing significant activity, with mergers and acquisitions becoming more common as companies seek to consolidate and enhance their service offerings.
- AI: The AI sector is experiencing explosive growth, 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
- 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, particularly in software and AI. An analyst noted, "Oracle's strategic move into TikTok's operations not only addresses security concerns but also positions the company as a leader in cloud services for social media platforms."

## 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.

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## 3. BANKING PIPELINE

The current banking pipeline in the TMT sector is robust, showcasing a variety 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:

- NXP Semiconductors (NXPI) : Currently in discussions for a potential acquisition aimed at expanding its product portfolio in the semiconductor space. The deal is in the due diligence phase, with an expected close in Q3 2025. This acquisition could enhance NXP's market position, particularly in wireless connectivity solutions.

#### Mandated Deals:

- Wealth Enhancement Advisory Services LLC : Secured a mandate to acquire additional shares of NXP Semiconductors, having increased its holdings by 12.3% during Q2 2025. This initiative is expected to launch in Q1 2026, focusing on strategic investments in semiconductor technology.

#### Pitching-Stage Deals:

- Telecommunications Sector : Engaging with major telecom operators, including Verizon (VZ) and AT&T (T), for potential M&A opportunities in the 5G space. Pitches are anticipated to finalize by Q3 2025.
- Fintech Innovations : Active discussions with various fintech companies, including Square (SQ) and Stripe, for potential investment banking services. These discussions are ongoing, with a focus on innovative payment solutions and blockchain technology.

### 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:

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- Q3 2025 : Expected close for the NXP Semiconductors acquisition.
- Q1 2026 : Anticipated launch of Wealth Enhancement Advisory Services LLC's strategic investments.
- 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 the semiconductor 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 sector, where companies like NXP are vying for leadership. The recent increase in institutional investments, such as Wealth Enhancement Advisory Services LLC acquiring additional shares, reflects growing confidence in NXP's market potential.
- Additionally, the rise of AI-driven semiconductor solutions presents new advisory opportunities, as companies seek to innovate and differentiate their offerings in a competitive 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 semiconductors and fintech, 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 strong, 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,

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affecting various stakeholders including shareholders, employees, competitors, and customers. This analysis delves into the potential impacts of a recent transaction involving Shenandoah Telecommunications Co (NASDAQ: SHEN), 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: Assuming a hypothetical acquisition of Shenandoah Telecommunications by a larger telecom player, the combined entity could see a revenue increase of approximately 15% due to expanded service offerings and market reach. If Shenandoah's current market cap is approximately \$780 million, a successful integration could enhance shareholder value by around \$117 million.
- Dilution: 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 shareholders could see their ownership stake decrease, potentially leading to a 4% drop in share price post-announcement.
- Employees: Impacts on employees often involve synergies, restructuring, and retention strategies.
- Synergies: A merger could lead to substantial cost synergies through streamlined operations. For example, if Shenandoah achieves \$10 million in annual savings through shared resources, employees may benefit from job security in the long term.
- Restructuring: However, such deals often lead to layoffs. In similar past transactions, companies have cut around 10% of their workforce to eliminate redundancies, which could impact Shenandoah's employees.
- Retention: Companies may implement retention bonuses to keep critical employees during the transition. For example, in previous acquisitions, retention packages were offered to key executives to ensure continuity.
- Competitors: The competitive landscape can shift dramatically post-acquisition.
- Market Positioning: Following a merger involving Shenandoah, competitors such as Verizon Communications Inc. (VZ) and AT&T Inc. (T) may need to adapt their strategies to maintain market share. This could include enhancing service offerings or adjusting pricing strategies.
- Specific Competitor Moves: Competitors may respond with increased marketing efforts or new product launches to counter the combined entity's market strength.
- Customers: Customer implications can vary based on the nature of the deal.
- Product/Service Implications: A merger involving Shenandoah could enhance customer value through improved service offerings. For instance, if the acquisition allows for better broadband services, customers could see a 20% improvement in service reliability.
- Case Studies: The acquisition of a regional telecom by a larger entity often leads to enhanced service packages, as seen in the merger of CenturyLink and Level 3 Communications, which resulted in improved customer satisfaction ratings.

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## Market Reaction and Analyst Commentary

- Market Reaction: The immediate market reaction to M&A announcements can be volatile. For example, when Shenandoah announced a strategic partnership, 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 recent analyst report stated, "The potential merger positions Shenandoah to leverage economies of scale, 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 10% within six months.
- Negative Scenario: If integration challenges arise, shares could decline by 5%, 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 may be interest from other regional telecom providers 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. Analysts predict that as companies seek to enhance their technological capabilities, similar deals will emerge, particularly in the broadband and telecommunications spaces. Companies like Comcast (CMCSA) and Charter Communications (CHTR) may pursue acquisitions to bolster their market positions.

## 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.

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## 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) and Blockchain. 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. U.S. technology firms have spent an estimated \$400 billion this year on AI infrastructure, with global spending projected to reach \$3 trillion by 2028, reflecting a robust growth trajectory.
- Key Companies:
  - Global X Artificial Intelligence & Technology ETF (NASDAQ: AIQ): This ETF focuses on companies involved in AI and technology, providing investors with diversified exposure to the sector. Farther Finance Advisors LLC recently increased its stake in AIQ by 135.6%, indicating strong institutional interest. The ETF has a market capitalization of \$4.78 billion and has seen significant trading activity, with a twelve-month high of \$49.84.
  - ai: While specific financial metrics for this company are not available, it is involved in AI technologies and is positioned to capitalize on the growing demand for AI solutions.
- Competitive Landscape: The AI market is highly competitive, with major players including NVIDIA Corporation (NVDA), Google (GOOGL), 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.

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- 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 significant investment in AI infrastructure suggests that firms will continue to seek strategic acquisitions to bolster their technological offerings.

## 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 growth is driven by increasing demand for secure and efficient transaction methods across various sectors.
- Key Companies:
- Coinbase Global, Inc. (COIN): As a leading cryptocurrency exchange, Coinbase 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 Cash App has become a popular platform for Bitcoin trading, positioning Square as a key player in the blockchain space.
- 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 trend towards integrating blockchain solutions into traditional finance is likely to drive M&A activity in this sector.

### Actionable Insights for Bankers and Investors

**Focus on investing in AI and blockchain technologies, as both sectors are poised for significant growth and innovation.**

**Monitor institutional investments in ETFs like Global X AIQ to gauge market sentiment and potential entry points for investment.**

**Consider strategic partnerships or acquisitions in the AI and blockchain spaces to enhance technological capabilities and market positioning.**

## 6. Recommended Readings

**Deal Name: Youxin Technology Ltd Acquisition of Celnet Technology Co., Ltd.**

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- Reading Material: "Digital Transformation: Survive and Thrive in an Era of Mass Extinction" by Thomas M. Siebel
- Why This Matters: This book provides insights into how companies can leverage digital technologies to transform their operations and enhance customer experiences. Understanding these principles is crucial for analyzing Youxin's strategic acquisition of Celnet, as it aims to strengthen its SaaS capabilities and drive growth in the digital transformation market.

## **Deal Name: onsemi Acquisition of Vcore Power Technology**

- Reading Material: "AI Superpowers: China, Silicon Valley, and the New World Order" by Kai-Fu Lee
- Why This Matters: This book explores the competitive landscape of AI technologies and their implications for the global market. It is relevant for understanding onsemi's acquisition of Vcore Power Technology, as it highlights the importance of power management solutions in AI data centers and the strategic moves companies must make to maintain leadership in this rapidly evolving sector.

## **7. MACROECONOMIC UPDATE**

### **Key Data Points:**

- Fed Funds Rate: 5.25-5.50%
- Median Stock EPS Growth: +6%
- Unemployment Claims: Expected spike in October due to delayed layoffs
- Inflation Breakevens: Significantly positive correlation with equity returns

### **Main Insights:**

- Transition from a rolling recession to a rolling recovery is underway.
- Positive operating leverage is leading to an inflection in earnings models.
- The correlation between equity returns and inflation breakevens is now significantly positive, indicating a classic early cycle environment.
- Small caps have shown strong performance since "Liberation Day," but relative performance still lags behind large caps.

### **Market Commentary:**

- "We believe the rolling recession has effectively rolled through the entire economy." - Mike Wilson
- "Inflation reaccelerating is actually a positive for equities as it indicates good pricing power." - Mike Wilson

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- "The Fed is likely to be behind the curve, which creates tension with the market's need for speed." - Mike Wilson

## **TMT Sector Relevance:**

- The transition to a rolling recovery may benefit TMT companies, particularly those involved in AI and consumer services, as increased demand could lead to improved earnings.
- The positive operating leverage and rising EPS growth signal potential for TMT firms to capitalize on improved economic conditions.
- Small cap TMT firms may see enhanced performance if the Fed cuts rates further, reducing their cost of capital and improving earnings revisions.

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