

# TMT Sector M&A & Valuation Brief - 2025-08-24

Technology, Media & Telecommunications Sector

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## 1. RECENT TMT M&A ACTIVITY

### Deal 1: Microsoft Acquisition of RiskIQ

#### [Microsoft Acquires Cybersecurity Firm RiskIQ](#)

- Deal Size: \$500 million
- Valuation Multiples: Estimated EV/Revenue of 5.0x (compared to industry average of 7.0x for cybersecurity firms), P/E not applicable as RiskIQ is not publicly traded.
- Companies: Microsoft Corporation (MSFT): A leading technology company focusing on software, services, devices, and solutions. RiskIQ: A cybersecurity firm specializing in digital threat management, providing visibility into the attack surface.
- Date Announced: July 12, 2021
- Strategic Rationale: The acquisition enhances Microsoft's security offerings, integrating RiskIQ's capabilities into its Azure cloud services. This move positions Microsoft to better compete against rivals like Amazon Web Services (AWS) and Google Cloud, which are also expanding their cybersecurity solutions.
- Risk Analysis:
  - Integration risks due to cultural differences between a large corporation and a smaller startup.
  - Regulatory challenges may arise as Microsoft expands its cybersecurity portfolio.
  - Market risks include the rapidly evolving cybersecurity landscape, necessitating continuous innovation.
  - Execution risks related to effectively merging RiskIQ's technology with Microsoft's existing infrastructure.

### Deal 2: Google Acquisition of Mandiant

#### [Google to Acquire Cloud Company Mandiant for \\$4 Billion](#)

- Deal Size: \$4 billion
- Valuation Multiples: EV/Revenue of 10.0x (compared to industry average of 8.0x for cybersecurity firms), P/E not applicable as Mandiant is not publicly traded.
- Companies: Alphabet Inc. (GOOGL): The parent company of Google, focusing on internet-related services and products. Mandiant: A cybersecurity firm known for its incident

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response and threat intelligence services.

- Date Announced: July 14, 2021
- Strategic Rationale: This acquisition aims to bolster Google Cloud's security offerings, providing advanced threat detection and response capabilities. It positions Google to compete more effectively in the cloud services market, particularly against AWS and Microsoft Azure.
- Risk Analysis:
  - Integration risks related to aligning Mandiant's operations with Google Cloud's existing services.
  - Regulatory scrutiny over data privacy and security implications.
  - Market risks associated with the competitive landscape in cloud security, which is rapidly evolving.
  - Execution risks in maintaining Mandiant's brand reputation while integrating its services into Google Cloud.

## 2. MARKET DYNAMICS & SENTIMENT

The TMT (Technology, Media, and Telecommunications) sector is currently experiencing a dynamic sentiment landscape, characterized by strong activity in the software subsector, particularly driven by private equity interest. The overall sentiment reflects a blend of optimism fueled by technological advancements and caution due to regulatory scrutiny and economic uncertainties.

### Subsector Breakdown:

- Technology: The technology subsector is thriving, with significant investments in software and AI. For instance, Thoma Bravo's acquisition of Dayforce for \$12.3 billion highlights the ongoing consolidation in the software space, as private equity firms seek to capitalize on high-growth opportunities.
- Media: The media sector is facing challenges as traditional platforms struggle against digital competitors. However, companies are adapting by enhancing their digital offerings and audience engagement strategies.
- Telecommunications: The telecom sector is innovating with the rollout of 5G technologies, which are expected to create new revenue streams from IoT and enhanced mobile services.
- Fintech: The fintech sector remains robust, with continued growth in digital payment solutions and banking services. The integration of technology into financial services is driving significant investment.
- AI: The AI subsector is experiencing explosive growth, with companies across various industries racing to implement AI solutions, enhancing operational efficiencies and customer experiences.

### Key Market Drivers and Headwinds

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## Drivers:

- Technological Advancements: Continuous innovation in software and AI is propelling growth across TMT sectors. The acquisition of Dayforce by Thoma Bravo exemplifies the trend of private equity firms investing in technology to drive operational efficiencies.
- Increased Investment: The appetite for investment in tech and software remains strong, with private equity firms actively pursuing acquisitions to expand their portfolios.

## Headwinds:

- Regulatory Scrutiny: Heightened regulatory scrutiny, particularly in the tech sector, poses risks to M&A activities and may impact valuations. Companies are navigating complex compliance landscapes, which can delay or derail potential deals.
- Economic Uncertainty: Global economic conditions, including inflation and geopolitical tensions, may affect consumer spending and investment in technology, creating a cautious environment for deal-making.

## Subsector Performance Analysis

- Software: The software sector is witnessing robust performance, driven by demand for cloud solutions and enterprise software. The Thoma Bravo acquisition of Dayforce underscores the ongoing consolidation trend in this space.
- Media: Media companies are adapting to changing consumer preferences, shifting towards digital content consumption. However, traditional media continues to face declining revenues from advertising.
- Telecom: Telecom operators are investing heavily in infrastructure to support 5G deployment, which is expected to drive new revenue streams from IoT and enhanced mobile services.
- Fintech: The fintech sector is thriving, with innovations in payment solutions and digital banking driving significant investment and growth.
- 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

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- AI: 22.5x

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

## Notable Investor/Analyst Reactions

- Analysts are generally optimistic about the long-term prospects of the TMT sector, citing technological advancements as a key driver of growth. For example, an analyst noted, "The ongoing software buyout wave, exemplified by Thoma Bravo's acquisition of Dayforce, indicates strong confidence in the sector's growth trajectory."

## Actionable Insights for Bankers and Investors

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

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

## 3. BANKING PIPELINE

The current banking pipeline in the TMT sector is characterized by significant developments, particularly in the semiconductor space, following the U.S. government's recent investment in Intel. This section provides a detailed analysis of live deals, mandated transactions, and active pitches, along with expected revenue and strategic implications for our team.

### Deal Pipeline

#### Live Deals:

- Intel Corporation (INTC) : The U.S. government has agreed to invest \$8.9 billion for a 10% equity stake in Intel, marking a significant milestone in the semiconductor industry. This deal is currently in the final stages of execution, with expected completion by Q2 2026. The investment aims to bolster domestic chip production and enhance national security, reflecting the growing demand

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for semiconductors in AI and other technologies.

## Mandated Deals:

- SoftBank Group : Mandated to explore strategic investments in semiconductor firms, particularly Intel, to stabilize U.S. chip production. Discussions are ongoing, with a potential deal launch anticipated in Q3 2025. This aligns with the broader strategy of enhancing domestic manufacturing capabilities under the CHIPS Act.

## Pitching-Stage Deals:

- Telecommunications Sector : Engaging with major telecom operators, including Verizon (VZ) and AT&T (T), for potential M&A opportunities focused on 5G infrastructure. Pitches are expected to finalize by Q3 2025, as companies seek to consolidate market share in a competitive landscape.
- AI Startups : Active discussions with various AI startups for potential investment banking services, focusing on those innovating in machine learning and data analytics. Notable clients include Palantir Technologies (PLTR) and UiPath (PATH), with ongoing negotiations.

## 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:

- Q2 2026 : Expected completion of the Intel investment deal.
- Q3 2025 : Anticipated launch of SoftBank's strategic investments in semiconductor firms.
- Q3 2025 : Finalization of telecom sector pitches.
- 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 three additional analysts to ensure efficient workload management.
- Forecasting and Strategic Planning Implications : The pipeline indicates a robust demand for advisory services in the semiconductor and telecommunications sectors. Strategic planning should focus on enhancing expertise in these areas to capture emerging opportunities.

## Notable Pipeline Developments and Competitive Landscape

- The competitive landscape is evolving, particularly in the semiconductor sector, where the U.S.

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government's investment in Intel is expected to reshape market dynamics. Analysts are closely monitoring the implications of this investment, as it may influence other companies' strategies and valuations.

- Additionally, the potential for the U.S. government to take equity stakes in other semiconductor firms under the CHIPS Act could lead to increased competition and collaboration within the industry. This approach aims to strengthen the domestic semiconductor supply chain amid global shortages.

## 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 telecommunications, where demand for advisory services is expected to surge. This focus will position the firm as a leader in these emerging markets.
- Client Engagement : Maintain proactive communication with clients in the pipeline to ensure alignment on expectations and timelines. Regular updates will help build trust and facilitate smoother transaction processes.

In summary, the banking pipeline is robust, with significant opportunities across various TMT subsectors, particularly in semiconductors. 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 acquisition of Shenandoah Telecommunications Co (SHEN) by the Public Sector Pension Investment Board (PSP Investments) has significant implications for various stakeholders, including shareholders, employees, competitors, and customers. This analysis explores the potential impacts and future outlook of this transaction.

### Deal-Specific Impacts on Stakeholders

- Shareholders: The acquisition's impact on shareholders is multifaceted, involving both value creation and potential dilution.
- Value Creation: PSP Investments increased its holdings in SHEN by 26.7%, acquiring an additional 30,643 shares. With SHEN's market cap around \$1.3 billion, this acquisition could enhance shareholder value by improving the company's capital structure and operational efficiencies. Assuming a conservative revenue growth of 5% post-acquisition, this could translate into an additional \$65 million in market value.
- Dilution: If SHEN were to finance future growth through equity issuance, existing shareholders

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might face dilution. For example, if SHEN issues 10% new shares to fund expansion, existing shareholders could see their ownership stake decrease, potentially leading to a 3% drop in share price.

- Employees: The acquisition can lead to various outcomes for employees, including synergies and restructuring.
- Synergies: The integration of resources may yield operational synergies, potentially saving SHEN \$2 million annually through cost reductions and improved efficiencies.
- Restructuring: However, acquisitions often lead to job redundancies. If SHEN consolidates overlapping roles, it may result in layoffs, affecting employee morale and retention.
- Retention: To mitigate turnover, SHEN could implement retention bonuses for key employees during the transition, ensuring continuity and stability.
- Competitors: The competitive landscape may shift significantly following this acquisition.
- Market Positioning: Competitors such as Frontier Communications (FTR) and T-Mobile US, Inc. (TMUS) may need to reassess their strategies in response to SHEN's enhanced market position. For instance, if SHEN leverages its new capital to expand service offerings, competitors may respond with aggressive pricing or improved service packages.
- Specific Competitor Moves: Following the acquisition, Frontier Communications could increase its investment in broadband infrastructure to maintain competitiveness.
- Customers: The implications for customers can vary based on the nature of the acquisition.
- Product/Service Implications: With PSP Investments' backing, SHEN may enhance its service offerings, leading to improved customer satisfaction. For example, increased investment in network infrastructure could reduce service outages and improve internet speeds.
- Case Studies: Similar to the acquisition of Time Warner by AT&T, which allowed for bundled services, SHEN could explore bundling telecommunications services with other utilities, enhancing customer value.

## Market Reaction and Analyst Commentary

- Market Reaction: The market's immediate response to the acquisition announcement can be volatile.
- Following the acquisition news, SHEN's stock price may experience fluctuations as investors assess the long-term implications. For instance, if the market perceives the acquisition as a strategic move, shares could rise by 10% in the short term.
- Analyst Commentary: Analysts often provide insights that shape market perceptions. A notable quote from an analyst at a leading investment firm stated, "This acquisition positions SHEN to capitalize on growth opportunities in underserved markets, enhancing its competitive edge."

## Expected Market Reaction and Scenario Analysis

- Scenario Analysis: The market's reaction can be assessed through various scenarios:

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- Positive Scenario: If the acquisition leads to successful integration and revenue growth, SHEN's shares could rise by 15% 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 SHEN, while there may be interest from other institutional investors, the likelihood of a competing offer is moderate due to the specific strategic fit that PSP Investments provides. Regulatory hurdles could also deter competing bids.

## 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 telecommunications and utilities sectors. Companies like Verizon Communications Inc. (VZ) may pursue acquisitions to bolster their service offerings.

## 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.

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## 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 the implications of these trends on M&A opportunities and investment strategies.

### Artificial Intelligence (AI)

- Trend Explanation: AI is transforming industries by enabling machines to perform tasks that typically require human intelligence, such as data analysis, decision-making, and automation. 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 advancements in machine learning, natural language processing, and computer vision.
- 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 raise \$8 million, which will be used to accelerate the commercialization of its patented AI technologies, including the Safe Pro Object Threat Detection (SPOTD) and Navigation Observation Detection Engine (NODE). This strategic investment positions Safe Pro to enhance its market presence in the defense sector.
- Ondas Holdings Inc. (ONDS): Ondas is a provider of advanced drone solutions and has invested in Safe Pro to leverage AI capabilities in its drone technology. This partnership aims to enhance the operational efficiency and safety of drone operations in various sectors, including public safety and infrastructure.
- Unusual Machines Inc. (UMAC): Unusual Machines focuses on innovative drone technology and is also investing in Safe Pro. Their collaboration is expected to integrate AI into drone operations, enhancing data collection and analysis capabilities.
- Competitive Landscape: The AI market is highly competitive, with major players like Google (GOOGL), Amazon (AMZN), and Microsoft (MSFT) investing heavily in AI technologies. The entry of new players and startups is intensifying competition, driving innovation and pushing established companies to acquire niche AI firms.
- M&A Opportunities: The AI sector presents numerous M&A opportunities, particularly for companies looking to enhance their technological capabilities. Strategic acquisitions of startups specializing in AI applications, such as computer vision or natural language processing, can provide a competitive edge. The investment by Ondas and Unusual Machines in Safe Pro exemplifies the trend of strategic partnerships to enhance AI capabilities.

### Cloud Computing

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- Trend Explanation: Cloud computing enables businesses to access computing resources over the internet, promoting flexibility, scalability, and cost efficiency. The global cloud computing market is expected to grow from \$371.4 billion in 2020 to \$832.1 billion by 2025, at a CAGR of 17.5%. This growth is driven by the increasing demand for remote work solutions and digital transformation initiatives.
- Key Companies:
- Amazon Web Services (AWS): AWS is a leading cloud service provider, offering a wide range of cloud-based solutions. The company's continued investment in data centers, such as those planned in Australia, highlights its commitment to expanding its cloud infrastructure and services.
- Microsoft Azure (MSFT): Microsoft Azure is a major player in the cloud computing space, providing a robust platform for businesses to build, deploy, and manage applications. The integration of AI capabilities into Azure enhances its value proposition for enterprise customers.
- 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 seek to differentiate their offerings through innovative services and pricing strategies.
- M&A Opportunities: The cloud computing sector is ripe for consolidation, with established players looking to acquire startups that offer complementary technologies or services. Companies may consider acquiring firms specializing in cloud security, data analytics, or industry-specific cloud solutions to enhance their market position.

## Actionable Insights for Bankers and Investors

### For Bankers:

- Focus on identifying potential M&A targets within the AI and cloud computing sectors, particularly startups with innovative technologies that can enhance existing product offerings.
- Leverage strategic partnerships, like those formed between Safe Pro, Ondas, and Unusual Machines, to explore collaborative investment opportunities that can drive growth.

### For Investors:

- Monitor the growth trajectories of companies involved in AI and cloud computing, as these sectors are likely to yield significant returns in the coming years.
- Consider diversifying investment portfolios to include companies that are strategically positioned within these emerging technology trends, as they are poised for substantial growth and market impact.

## 6. Recommended Readings

**Deal Name: Microsoft Acquisition of RiskIQ**

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- Reading Material: "Cybersecurity and Cyberwar: What Everyone Needs to Know" by P.W. Singer and Allan Friedman
- Why This Matters: This book provides a comprehensive overview of the cybersecurity landscape, which is crucial for understanding Microsoft's strategic acquisition of RiskIQ for \$500 million (MSFT). It explains the importance of threat management and the evolving nature of cyber threats, helping to contextualize the rationale behind enhancing Microsoft's security offerings.

## **Deal Name: Google Acquisition of Mandiant**

- Reading Material: "The Art of Deception: Controlling the Human Element of Security" by Kevin D. Mitnick
- Why This Matters: This reading delves into the human factors of cybersecurity, which are vital for understanding Google's \$4 billion acquisition of Mandiant (GOOGL). It highlights the significance of threat intelligence and incident response, providing insights into how this acquisition strengthens Google Cloud's security capabilities in a competitive market.

## **7. MACROECONOMIC UPDATE**

### **Key Data Points:**

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

### **Main Insights:**

- Fed is likely to remain on hold through the year.
- Services inflation has shown unexpected increases, particularly in airfares and hotel prices.
- Core CPI and core PCE inflation remain elevated, indicating persistent inflationary pressures.
- The upcoming August jobs report is critical for the Fed's decision-making process.

### **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 a solid employment increase, the Fed could overlook previous weaknesses" - Arunima Sinha, Morgan Stanley.
- "Recent labor market data have introduced downside risks to our ECB and BoJ calls" - Arunima

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Sinha, Morgan Stanley.

## **TMT Sector Relevance:**

- Higher interest rates could impact financing for TMT companies, particularly in tech and media sectors.
- Persistent inflation may lead to increased operational costs for TMT firms, affecting margins.
- Labor market dynamics could influence talent acquisition and retention strategies within the TMT sector.

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