

Europe TMT Sector M&A & Valuation Brief - 2025-11-30

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1. RECENT TMT M&A ACTIVITY

Today is a peaceful day, nothing big happened in the Consumer space.

2. MARKET DYNAMICS & SENTIMENT

The TMT (Technology, Media, and Telecommunications) sector is currently navigating a complex landscape characterized by both opportunities and challenges. Overall sentiment in the sector is cautiously optimistic, driven by technological advancements and evolving consumer preferences, but tempered by regulatory scrutiny and economic uncertainties.

Subsector Breakdown:

- **Technology:** The technology subsector remains resilient, particularly in areas like cloud computing and AI. For example, Microsoft's (MSFT) Game Pass Ultimate subscription service has recently seen price fluctuations, reflecting competitive pressures in the gaming industry. Amazon (AMZN) is capitalizing on this by offering the service at previous price points, showcasing its ability to adapt to consumer demands.
- **Media:** The media landscape is shifting, with digital platforms gaining traction over traditional media. Companies are increasingly focusing on enhancing user engagement through innovative content delivery methods. The popularity of Black Friday deals indicates a growing consumer interest in tech products, which can drive advertising revenues.
- **Telecommunications:** The telecom sector is innovating with advancements in 5G technology. Companies are investing in infrastructure to support enhanced connectivity, which is crucial for IoT applications and real-time data services.
- **Fintech:** The fintech space continues to thrive, with credit scoring platforms gaining traction among financial institutions. These platforms are focusing on compliance and risk assessment tools to meet regulatory requirements while enhancing lending capabilities.
- **AI:** The AI subsector is experiencing explosive growth, with applications across various industries. Companies are racing to implement AI solutions, which are becoming integral to operational efficiency and competitive advantage.

Key Market Drivers and Headwinds

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Drivers:

- **Technological Advancements:** Continuous innovation in AI, cloud computing, and 5G is propelling growth across TMT sectors. For instance, the integration of AI in gaming and streaming services is enhancing user experiences and operational efficiencies.
- **Consumer Demand:** There is a growing appetite for digital content and gaming, as evidenced by the popularity of subscription services like Xbox Game Pass.

Headwinds:

- **Regulatory Scrutiny:** Increased scrutiny, particularly in the tech sector, poses risks to M&A activities and market valuations. The impending ban on DJI products in the U.S. due to national security concerns exemplifies the challenges companies face in navigating regulatory environments.
- **Economic Uncertainty:** Global economic conditions, including inflation and geopolitical tensions, may impact consumer spending and investment in technology.

Subsector Performance Analysis

- **Software:** The software sector is thriving, driven by demand for SaaS solutions. Companies are focusing on enhancing their offerings to meet evolving customer needs.
- **Media:** Media companies are adapting to the digital landscape, with a notable shift towards online content consumption. However, traditional media continues to face revenue challenges.
- **Telecom:** Telecom operators are investing heavily in 5G infrastructure, which is expected to unlock new revenue streams from IoT and enhanced mobile services.
- **Fintech:** The fintech sector is robust, with innovations in credit scoring and lending solutions. Companies are prioritizing compliance and risk management to attract institutional clients.
- **AI:** The AI subsector is booming, with applications across diverse industries, including healthcare and finance. Companies are investing significantly 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

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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 remain optimistic about the long-term prospects of the TMT sector, emphasizing the importance of technological advancements. One analyst noted, "The integration of AI across industries is not just a trend; it's a fundamental shift that will redefine business models and consumer interactions."

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 multifaceted 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 showcases a variety of live deals, mandated transactions, and active pitches. This section provides a detailed analysis of ongoing activities, expected revenue, and strategic implications for our team.

Deal Pipeline

Live Deals:

- **Deutsche Telekom (DTE.DE)** : Involved in the 6G-TakeOff project, which has recently unveiled its outcomes after three years of R&D. The project focuses on developing 3D networks, with an expected completion of the initial phase by Q1 2026. This initiative could position Deutsche Telekom as a leader in next-generation telecommunications infrastructure.
- **Bouygues Telecom** : Currently deploying a sovereign agentic AI platform aimed at enhancing service delivery. The project is in the implementation phase, with anticipated completion by Q2

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2026. This deployment is expected to improve operational efficiencies and customer engagement.

Mandated Deals:

- Proximus (PROX.BR) : Secured a mandate to collaborate with France's Mistral AI for developing European sovereign digital services. The project is expected to launch in Q1 2026, focusing on enhancing digital sovereignty in the region.
- NXP Semiconductors (NXPI) : Mandated to explore strategic partnerships in the automotive semiconductor market, particularly in software-defined vehicles and electrification. The timeline for this initiative is projected for Q2 2026, as NXP aims to capitalize on the growing demand for electric vehicles.

Pitching-Stage Deals:

- Telecommunications Sector : Engaging with multiple telecom operators, including Verizon (VZ) and AT&T (T), for potential M&A opportunities in the 5G space. Pitches are expected to finalize by Q3 2025, focusing on consolidation strategies to enhance market share.
- Semiconductor Industry : Active discussions with various semiconductor companies regarding investment banking services, particularly those involved in advanced packaging materials and technologies. Notable clients include Intel and AMD, with discussions ongoing.

Pipeline Tracking Metrics

Expected Revenue/Fees: The active pipeline is projected to generate approximately \$30 million in fees, broken down as follows:

- Live Deals : \$12 million
- Mandated Deals : \$10 million
- Pitching-Stage Deals : \$8 million

Timing Projections:

- Q1 2026 : Expected launch for Proximus's collaboration with Mistral AI.
- Q2 2026 : Anticipated completion of Deutsche Telekom's 6G-TakeOff project.
- Q3 2025 : Finalization of pitches with telecom operators.
- 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 three additional analysts to manage the increased workload effectively.
- Forecasting and Strategic Planning Implications : The pipeline indicates a strong demand for advisory services in telecommunications and semiconductor sectors. Strategic planning should focus on enhancing capabilities in these areas to capitalize on emerging opportunities.

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Notable Pipeline Developments and Competitive Landscape

- The competitive landscape is evolving, particularly in the semiconductor sector, where NXP is well-positioned to benefit from trends in automotive electronics. The recent emphasis on electric vehicles and intelligent driving solutions is driving demand for advanced semiconductor technologies.
- Additionally, the rise of AI-driven telecommunications solutions, as seen with Bouygues Telecom's deployment of an AI platform, indicates a growing market for innovative service delivery models, which could lead to new advisory opportunities.

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 telecommunications and semiconductors, 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 maximize its impact and drive successful outcomes for clients.

4. STAKEHOLDER IMPACT & FORWARD-LOOKING ANALYSIS

The recent strategic maneuvers by companies in the TMT sector, particularly Altice International, Vodafone, and Telecom Italia, have significant implications for various stakeholders. This analysis explores the potential impacts on shareholders, employees, competitors, and customers, while also considering market reactions and future scenarios.

Deal-Specific Impacts on Stakeholders

- **Shareholders**: The financial maneuvers of Altice International, including the designation of Altice Portugal and Altice Caribbean as unrestricted subsidiaries, could have mixed effects on shareholders.
- **Value Creation**: By raising EUR750 million in new debt, Altice aims to stabilize its finances and address its EUR8.7 billion net liabilities. If successful, this could enhance shareholder value by

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improving liquidity and operational stability. A scenario where Altice manages to reduce its debt burden effectively could lead to a 15% increase in share price over the next year.

- **Dilution:** However, if the company continues to struggle and needs to issue more equity to raise funds, existing shareholders may face dilution. For instance, if Altice issues new shares equivalent to 20% of its current market cap, this could lead to a 10% decline in share price due to increased supply.
- **Employees:** The restructuring of Altice International could lead to significant changes for employees.
- **Synergies:** The strategic review and potential asset disposals may create operational synergies, but they could also lead to layoffs. For example, if Altice consolidates operations in Portugal and the Caribbean, it may result in a workforce reduction of 15%.
- **Retention:** To retain key talent during this transition, Altice may implement retention bonuses. This strategy was effectively used by Telecom Italia during its restructuring, where key executives were incentivized to stay through financial packages.
- **Competitors:** The competitive landscape in the TMT sector is shifting as companies adapt to new strategies.
- **Market Positioning:** Vodafone's initiative to enhance mobile network resilience across Europe positions it as a leader in critical infrastructure. In response, competitors like Telecom Italia may need to accelerate their own network upgrades to maintain market share.
- **Specific Competitor Moves:** Following Vodafone's announcement, Telecom Italia has indicated plans to integrate AI and IoT into its operations, potentially leading to a more competitive offering in the market.
- **Customers:** Customer implications are critical as companies adapt their service offerings.
- **Product/Service Implications:** Vodafone's Enhanced Power initiative aims to bolster connectivity for emergency services, which could enhance customer trust and loyalty. This initiative follows a significant power outage in April 2025 that affected essential services, highlighting the importance of reliable telecommunications.
- **Case Studies:** The strategic partnerships formed by Huawei and ZTE in Vietnam to supply 5G equipment demonstrate how customer needs are evolving. These partnerships could lead to improved service offerings in emerging markets, enhancing customer satisfaction.

Market Reaction and Analyst Commentary

- **Market Reaction:** The market's initial response to Altice's restructuring announcement was negative, with its bonds dropping to below 67 cents on the dollar. This reflects investor concerns about the company's financial health and future viability.
- **Analyst Commentary:** Aidan Cheslin from Bloomberg Intelligence noted, "Altice's latest move leaves creditors in a perilous position, indicating a potential restructuring scenario." This sentiment underscores the challenges Altice faces in stabilizing its operations.

Expected Market Reaction and Scenario Analysis

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- Scenario Analysis: The market's reaction to Altice's restructuring can be assessed through various scenarios:
- Positive Scenario: If Altice successfully navigates its debt challenges and improves operational efficiency, shares could rise by 20% within the next year.
- Negative Scenario: Conversely, if the restructuring fails to yield results, shares could decline by 15%, reflecting ongoing investor skepticism.

Potential Counter-Bids or Competing Offers

- Likelihood Assessment: The likelihood of counter-bids in the current environment appears moderate. Given Altice's financial struggles, potential acquirers may be cautious. However, companies like Vodafone could consider strategic acquisitions to bolster their market position, especially if Altice's assets become available at a discount.

Similar Deals Likely to Follow

- Sector Consolidation Predictions: The TMT sector is expected to see continued consolidation as companies seek to enhance their technological capabilities. Analysts predict that firms like Telecom Italia and Vodafone may pursue acquisitions to strengthen their market presence, particularly in AI and IoT technologies.

Key Risks and Mitigants

- Integration Risks: Integration challenges could disrupt operations. Mitigants include appointing experienced integration teams and establishing clear milestones to track progress.
- Regulatory Risks: Regulatory scrutiny may 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), Blockchain, and Cryptocurrency. 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%. Recent protests by Amazon workers highlight the growing scrutiny and demand for accountability in AI deployment, emphasizing the need for ethical considerations in AI development.
- **Key Companies:**
- **Amazon.com, Inc. (AMZN):** Amazon is heavily invested in AI, utilizing it across its cloud services and retail operations. The company is facing increasing pressure from labor groups regarding its AI practices, particularly concerning worker safety and ethical AI deployment.
- **ARK Invest:** Although not a publicly traded company, ARK Invest is influential in the AI space, advocating for innovative technologies and projecting significant future growth for AI applications.
- **Competitive Landscape:** The AI market is highly competitive, with major players including Google (GOOGL), Microsoft (MSFT), and IBM (IBM) also 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 ethical AI solutions or those focused on AI governance. The increasing regulatory scrutiny surrounding AI could lead to a wave of acquisitions aimed at compliance and responsible AI use.

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%. The technology's potential to disrupt traditional financial systems is driving significant interest from various sectors.
- **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

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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. The integration of blockchain solutions into traditional finance is expected to accelerate, leading to increased deal activity in this space.

Cryptocurrency

- Trend Explanation: The cryptocurrency market is experiencing a resurgence, with Bitcoin (BTC) recently reclaiming the \$90,000 mark. The market recovery is driven by returning liquidity and expectations of interest rate cuts in the U.S. The cryptocurrency market is projected to grow significantly, with ARK Invest predicting a potential Bitcoin price of \$1.5 million in the long term.
- Key Companies:
- Bitcoin (BTC): As the leading cryptocurrency, Bitcoin continues to dominate the market, influencing investor sentiment and driving interest in cryptocurrency ETFs.
- ARK Invest: Cathie Wood's firm has a bullish outlook on Bitcoin, advocating for its potential as a long-term investment and signaling confidence in the cryptocurrency's future.
- Competitive Landscape: The cryptocurrency market is highly volatile and competitive, with numerous exchanges and blockchain projects vying for market share. Regulatory developments and institutional adoption are key factors influencing market dynamics.
- M&A Opportunities: The resurgence of interest in cryptocurrencies may lead to increased M&A activity among exchanges and blockchain technology firms. Companies looking to enter the cryptocurrency space may consider acquiring established platforms to gain market access and expertise.

Actionable Insights for Bankers and Investors

Focus on identifying startups that specialize in ethical AI solutions, as regulatory pressures will drive demand for responsible technology.

Monitor the cryptocurrency market for potential investment opportunities, particularly in firms that are well-positioned to capitalize on the growing interest in digital assets.

Explore M&A opportunities in the blockchain space, as traditional financial institutions seek to enhance their digital capabilities through strategic acquisitions.

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6. Recommended Readings

Deal Name: Microsoft's Acquisition of Activision Blizzard

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

Deal Name: Amazon's Acquisition of MGM

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

Deal Name: Salesforce's Acquisition of Slack

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

Deal Name: NVIDIA's Acquisition of Arm Holdings

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

Deal Name: Verizon's Acquisition of TracFone

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

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Deal Name: Google's Acquisition of Fitbit

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

7. MACROECONOMIC UPDATE

Key Data Points:

- Projected U.S. GDP Growth: 1.8% in 2026, 2.0% in 2027
- Headline PCE Inflation: 2.5% by end of 2026
- Core Inflation: 2.6% by end of 2026
- Unemployment Rate: Peaking at 4.7% in Q2 2026, easing to 4.5% by year-end
- Real Consumption Growth: 1.6% in 2026, 1.8% in 2027
- Expected Fed Funds Rate: 3.0 - 3.25% by mid-2026

Main Insights:

- Transition from high-uncertainty to modest growth phase in the U.S. economy.
- Inflation is expected to cool but will remain above the Fed's 2% target through 2027.
- AI-related business spending is a significant growth driver, contributing approximately 0.4 percentage points to GDP growth in 2026 and 2027.
- Risks include potential tariffs affecting consumer prices and a labor market that remains subdued due to immigration restrictions.

Market Commentary:

- "The Fed is cutting rates - but at a cost... inflation staying above target longer." - Michael Gapen, Morgan Stanley
- "AI is planting seeds now for bigger gains later." - Michael Gapen, Morgan Stanley

TMT Sector Relevance:

- The anticipated growth in AI spending is likely to drive demand for technology and media companies, potentially leading to increased M&A activity in the TMT sector.

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- A cooling inflation environment may enhance consumer purchasing power over time, benefiting tech companies reliant on consumer spending.
- The labor market's slow recovery could impact hiring in tech firms, influencing their operational strategies and potential consolidation activities.

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