

US TMT Sector M&A & Valuation Brief - 2025-11-13

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1. RECENT TMT M&A ACTIVITY

Deal 1: Coinbase and BVNK Acquisition Attempt

Coinbase and BVNK Walk Away from \$2B Deal

- Deal Size: \$2 billion
- Deal Size Category: Large cap (>\$10B)
- Nature of Deal: Horizontal
- Valuation Multiples: N/A (deal not completed)
- Companies:
 - Coinbase (COIN) : A leading cryptocurrency exchange platform that allows users to buy, sell, and store various cryptocurrencies. It has been expanding its offerings to include stablecoin services.
 - BVNK : A startup focused on stablecoin infrastructure, aimed at enhancing the operational capabilities of cryptocurrency transactions.
- Date Announced: October 2023
- Strategic Rationale: The acquisition was intended to significantly enhance Coinbase's institutional stablecoin offerings, tapping into the growing \$312 billion stablecoin market. With regulatory momentum and increasing interest from payment networks, this deal could have positioned Coinbase as a leader in stablecoin services.
- Risk Analysis:
 - Integration Risks : Challenges in merging operational systems and corporate cultures.
 - Market Risks : Volatility in cryptocurrency markets could impact the valuation and success of the acquisition.
 - Regulatory Challenges : Potential scrutiny from regulators could complicate the acquisition process.
 - Execution Risks : Failure to realize synergies or operational efficiencies could lead to value destruction.

Key Financials Analysis:

- Revenue Breakdown:

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- Stablecoin services accounted for \$246 million, or 19%, of Coinbase's total revenue of \$1.9 billion in Q3.
- Profitability Ratios: N/A (deal not completed)
- Leverage Analysis: N/A (deal not completed)
- Asset Operating Efficiency: N/A (deal not completed)
- Valuation Context: N/A (deal not completed)

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 experiencing a mixed sentiment, characterized by cautious optimism amid ongoing regulatory scrutiny and evolving technological advancements. The overall sentiment is influenced by various factors, including macroeconomic conditions, investor confidence, and sector-specific trends.

Subsector Breakdown:

- Technology: The technology subsector remains robust, driven by advancements in AI, cloud computing, and cybersecurity. For instance, companies are increasingly adopting AI solutions to enhance operational efficiency and customer experience.
- Media: The media subsector is witnessing a transformation as companies enhance audience engagement through new digital features. However, traditional media faces challenges from digital platforms and changing consumer preferences.
- Telecommunications: The telecom sector is innovating with low-latency technologies, aiming to improve user experience in real-time applications. Investments in 5G infrastructure are crucial for future growth.
- Fintech: The fintech space continues to thrive, with companies exploring new business models and partnerships, reflecting a trend towards digital financial solutions.
- AI: The AI subsector is particularly hot, with companies racing to implement AI solutions across various industries, including automotive and healthcare.

Key Market Drivers and Headwinds

Drivers:

- Technological Advancements: Continuous innovation in AI, 5G, and cloud computing is driving growth across TMT sectors. Companies are leveraging these technologies to enhance their service offerings.

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- Increased Investment: Venture capital and private equity investments remain strong, particularly in tech and fintech, as investors seek to capitalize on emerging trends.

Headwinds:

- Regulatory Scrutiny: Increased regulatory scrutiny, especially in the tech sector, poses risks to M&A activities and market 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 impact consumer spending and investment in technology.

Subsector Performance Analysis

- Software: The software sector continues to perform well, driven by demand for cloud solutions and enterprise software. Companies focusing on SaaS models are particularly well-positioned for growth.
- Media: Media companies are adapting to changing consumer preferences, with a shift towards digital content consumption. However, traditional media faces 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, reflecting a consolidation trend in this space.
- AI: The AI subsector is booming, 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, citing technological

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advancements as a key driver of growth. For example, an analyst at RBC Capital recently lowered the price target for Constellation Software (CNSWF) to C\$5,600, reflecting cautious sentiment amid market dynamics.

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.

3. BANKING PIPELINE

The current banking pipeline in the TMT sector is characterized by a diverse array of live deals, mandated transactions, and active pitches. This analysis provides insights into the ongoing activities, expected revenue, and strategic implications for our team.

Deal Pipeline

Live Deals:

- Workhorse Group (WKHS) : The company is in the process of finalizing its merger with Motiv Electric Trucks, which is expected to create a leading North American medium-duty electric truck OEM. The transaction is anticipated to close in Q4 2025, positioning Workhorse to capitalize on the growing demand for electric vehicles.

Mandated Deals:

- SoftBank : Recently sold its entire stake in Nvidia (NVDA) for \$5.8 billion to fund investments in OpenAI. This strategic move indicates a shift in focus towards AI technologies. The timeline for potential new investments is expected to unfold in Q1 2026, as SoftBank seeks to leverage its capital for high-growth opportunities in the AI sector.

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Pitching-Stage Deals:

- AI Sector : Active discussions are ongoing with several AI-focused companies, including potential partnerships and advisory services. Clients include Microsoft (MSFT) and Alphabet (GOOGL), with pitches expected to finalize by Q2 2026.
- Telecommunications : Engaging with major telecom operators for potential M&A opportunities to enhance market share in the 5G space. Notable clients include Verizon (VZ) and AT&T (T), 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:

- Q4 2025 : Expected close for the Workhorse and Motiv merger.
- Q1 2026 : Anticipated launch of SoftBank's new investments in AI.
- 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 AI and electric vehicle sectors. Strategic planning should focus on enhancing capabilities in these areas to capitalize on emerging opportunities.

Notable Pipeline Developments and Competitive Landscape

- The recent sell-off in AI stocks, including Nvidia (NVDA) and Meta Platforms (META), has created a volatile environment, with the Nasdaq Composite experiencing its steepest weekly decline since April 2025. This downturn reflects investor caution and may impact future valuations and deal structures.
- Additionally, the merger between Workhorse and Motiv is set against a backdrop of increasing competition in the electric vehicle market, highlighting the need for strategic positioning and differentiation.

Actionable Insights for Team Management and Business Development

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- 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 AI and electric vehicles, 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 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 developments in the telecom sector, particularly focusing on Vodafone Idea, Bharti Airtel, and Reliance Jio.

Deal-Specific Impacts on Stakeholders

- Shareholders: The financial health of Vodafone Idea has raised concerns among investors.
- Value Creation: Vodafone Idea reported a net loss of Rs5,560 crore, a slight improvement from the previous quarter's Rs6,610 crore loss. However, with a revenue increase of 2.4% year-on-year to Rs11,190 crore, the company needs to demonstrate sustained growth to enhance shareholder value. Analysts from UBS and JPMorgan have maintained cautious ratings, indicating potential stagnation in share price unless operational improvements are realized.
- Dilution: The declining capital expenditure (capex), which fell 28% to Rs1,750 crore, raises red flags about the company's ability to compete effectively. If Vodafone Idea continues to struggle with funding, it may need to issue new shares, leading to dilution for existing shareholders.
- Employees: The operational challenges faced by Vodafone Idea could impact its workforce significantly.
- Synergies: Any potential merger or strategic partnership aimed at stabilizing the company would likely focus on cost synergies. For instance, if Vodafone Idea were to merge with another operator, it could realize savings through shared infrastructure.
- Restructuring: However, restructuring efforts may lead to job cuts, as seen in previous industry consolidations. The company's ability to retain talent will depend on its financial stability and strategic direction.

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- Retention: Retention bonuses may be necessary to keep key personnel during turbulent times, especially if the company seeks to stabilize its operations.
- Competitors: The competitive landscape is shifting as Vodafone Idea struggles.
- Market Positioning: Competitors like Reliance Jio and Bharti Airtel are capitalizing on Vodafone Idea's challenges. For example, Jio's aggressive pricing and network expansion strategies have solidified its market leadership.
- Specific Competitor Moves: Bharti Airtel has called for lower spectrum auction prices to enhance its competitive position, reflecting the pressure on Vodafone Idea to improve its offerings.
- Customers: The implications for customers are significant, particularly regarding service quality.
- Product/Service Implications: Vodafone Idea's reduced capex could impact network quality and service improvements. If the company fails to enhance its infrastructure, customer satisfaction may decline, leading to further subscriber losses.
- Case Studies: The recent trend of customers switching to competitors like Jio, which offers superior network quality and pricing, exemplifies the risks Vodafone Idea faces if it cannot improve its service delivery.

Market Reaction and Analyst Commentary

- Market Reaction: The market has reacted cautiously to Vodafone Idea's financial results.
- Analysts have expressed concerns over the company's declining capex, with JPMorgan stating, "Lower capex can impact network quality/improvements at VI." This sentiment reflects a broader skepticism regarding the company's ability to compete effectively.
- Analyst Commentary: UBS and JPMorgan have maintained neutral ratings on Vodafone Idea, indicating that investor sentiment remains cautious until there are clear signs of recovery.

Expected Market Reaction and Scenario Analysis

- Scenario Analysis: The market's reaction can be assessed through various scenarios:
- Positive Scenario: If Vodafone Idea successfully raises capital and stabilizes its operations, shares could rebound by 20% within the next year.
- Negative Scenario: If the company continues to struggle with network quality and subscriber losses, shares could decline by 15%, reflecting investor concerns about its long-term viability.

Potential Counter-Bids or Competing Offers

- Likelihood Assessment: The likelihood of counter-bids for Vodafone Idea is moderate.
- Given the current financial instability, potential suitors may be hesitant to engage unless there are significant improvements in the company's outlook.

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Similar Deals Likely to Follow

- Sector Consolidation Predictions: The TMT sector is expected to see continued consolidation.
- As companies like Bharti Airtel and Reliance Jio seek to enhance their market positions, further mergers or acquisitions may occur, particularly targeting struggling operators like Vodafone Idea.

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)

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- Trend Explanation: AI encompasses technologies that enable machines to perform tasks typically requiring human intelligence, such as natural language understanding and decision-making. 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 rapid growth is driven by increasing investments in AI technologies across various sectors, including healthcare, finance, and retail.
- Key Companies:
- NVIDIA Corporation (NVDA): NVIDIA is a leader in AI hardware and software, providing GPUs that power AI applications. The company has strategically positioned itself in the AI space by investing heavily in AI research and development, particularly in deep learning and autonomous systems. Recently, SoftBank sold its entire stake in NVIDIA for \$7.6 billion, raising concerns about an AI bubble.
- Meta Platforms, Inc. (META): Meta's Chief AI Scientist, Yann LeCun, is leaving to launch a new venture focused on foundational AI architectures. This departure highlights the challenges Meta faces in maintaining its AI ambitions amid cost pressures and operational turbulence.
- Competitive Landscape: The AI market is highly competitive, with major players including Google (GOOGL), Amazon (AMZN), 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 niche AI applications, such as computer vision or natural language processing. The recent exit of key talent from major firms like Meta could lead to the emergence of new startups, presenting acquisition opportunities for established players.

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 fueled by increasing demand for secure and efficient transaction methods across various industries.
- 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.

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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 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 adoption of cloud services by enterprises seeking to reduce IT costs and improve operational efficiency.
- Key Companies:
- Amazon Web Services (AWS): As a leader in the cloud computing space, AWS provides a wide range of cloud services, including computing power, storage, and databases. The company continues to innovate and expand its offerings to meet the growing demand for cloud solutions.
- Microsoft Azure (MSFT): Microsoft Azure is another major player in the cloud market, offering a comprehensive suite of cloud services. The company is focusing on hybrid cloud solutions to cater to businesses looking for flexible deployment options.
- Competitive Landscape: The cloud computing market is highly competitive, with key players including Google Cloud (GOOGL) and IBM Cloud (IBM). 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 cloud-native startups that offer specialized services, such as cloud security or data analytics. The ongoing consolidation in the cloud space presents opportunities for strategic acquisitions.

Actionable Insights for Bankers and Investors

Investors should focus on companies

6. Recommended Readings

Deal Name: Coinbase and BVNK Acquisition Attempt

- Reading Material: "The Basics of Bitcoins and Blockchains" by Antony Lewis
- Why This Matters: This book provides a foundational understanding of cryptocurrency, blockchain technology, and stablecoins, which are critical to grasping the strategic implications of Coinbase's \$2 billion acquisition attempt of BVNK. It explains the operational dynamics and market potential of stablecoins, helping to contextualize Coinbase's interest in enhancing its offerings in this rapidly evolving sector.

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7. MACROECONOMIC UPDATE

Key Data Points:

- Crypto ETF AUM: \$200 billion
- Crypto ETF inflows: Over \$45 billion in 2023
- CME crypto contracts traded: Over 340,000 contracts in Q3, up 200% YoY
- Schwab customers' crypto ETF holdings: \$25 billion

Main Insights:

- Increased institutional adoption of cryptocurrencies, particularly Bitcoin.
- Growing interest from retail investors in crypto, primarily Bitcoin, as a hedge against inflation.
- The SEC's approval of spot Bitcoin and Ethereum ETFs has legitimized crypto as an asset class.
- The crypto market is experiencing a four-year cycle, currently in the "fall" season, with potential shifts expected around November 30th.

Market Commentary:

- "We've seen cryptocurrencies move from the fringes of finance to being considered a legitimate part of mainstream asset allocation." - Michael Cyprys
- "Almost all this interest is really on Bitcoin only... it's really just the beginning." - Denny Galindo

TMT Sector Relevance:

- The rise of crypto ETFs and institutional interest could lead to increased investment in TMT companies focused on blockchain technology and crypto infrastructure.
- Enhanced regulatory clarity may foster innovation and growth in the TMT sector, particularly in financial technology and digital asset management.

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