

US TMT Sector M&A & Valuation Brief - 2025-11-22

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1. RECENT TMT M&A ACTIVITY

Deal 1: Priority Technology Take-Private Proposal

[Buckley Capital: Priority Technology take private proposal should be rejected](#)

- Deal Size: N/A (Proposal details not disclosed)
- Deal Size Category: N/A
- Nature of Deal: Take-private proposal
- Valuation Multiples: N/A
- Companies: Buckley Capital is proposing to take private Priority Technology (PRTH), a company involved in payment processing technology. The proposal has been met with skepticism from stakeholders.
- Date Announced: N/A
- Strategic Rationale: The take-private proposal aims to streamline operations and enhance focus on core technologies. However, the rejection of the proposal suggests a lack of consensus on the strategic benefits among stakeholders.
- Risk Analysis: Risks include potential backlash from shareholders, integration challenges post-take-private, and market perception issues. The rejection indicates possible execution risks and the need for a more compelling strategic rationale.

Key Financials Analysis:

- Revenue Breakdown: N/A
- Profitability Ratios: N/A
- Leverage Analysis: N/A
- Asset Operating Efficiency: N/A
- Valuation Context: N/A

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

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2. MARKET DYNAMICS & SENTIMENT

The TMT (Technology, Media, and Telecommunications) sector is currently navigating a landscape of significant transformation, driven by technological advancements and strategic partnerships. The overall sentiment in the sector is cautiously optimistic, with a notable focus on AI and data centers, particularly in emerging markets like India.

Subsector Breakdown:

- Technology: The technology subsector is experiencing robust growth, particularly in AI and data center services. Companies like Tata Consultancy Services (TCS) are pivoting towards AI-led solutions, evidenced by their partnership with TPG to establish gigawatt-scale AI-ready data centers. This move positions TCS to capitalize on the growing demand for AI infrastructure.
- Media: The media sector is adapting to digital consumption trends, but faces challenges from traditional revenue streams. Companies are increasingly focusing on enhancing digital engagement to retain audiences.
- Telecommunications: The telecom sector is witnessing innovation with the deployment of 5G technologies, which is expected to enhance connectivity and enable new applications in IoT and AI.
- Fintech: The fintech space remains vibrant, with companies like MoEngage securing significant funding to expand their SaaS offerings. This trend highlights the ongoing demand for digital financial solutions.
- AI: The AI subsector is at the forefront of investment and innovation, with companies racing to integrate AI capabilities into their operations. The establishment of AI data centers is a key trend, as seen in TCS's strategic initiatives.

Key Market Drivers and Headwinds

Drivers:

- Technological Advancements: Continuous innovation in AI and data center capabilities is driving growth across the TMT sectors. TCS's collaboration with TPG aims to create a significant data center footprint in India, leveraging the country's low-cost electricity and engineering talent.
- Increased Investment: Venture capital and private equity investments are robust, particularly in tech and fintech. The recent funding round for MoEngage, which is set to reach \$260 million, underscores investor confidence in SaaS solutions.

Headwinds:

- Regulatory Scrutiny: The tech sector faces increasing regulatory scrutiny, which can impact M&A activities and valuations. Companies must navigate complex compliance landscapes, potentially

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delaying strategic initiatives.

- Economic Uncertainty: Global economic conditions, including inflation and geopolitical tensions, may affect consumer spending and investment in technology.

Subsector Performance Analysis

- Software: The software sector, particularly SaaS, continues to thrive, driven by demand for cloud solutions. MoEngage's recent funding round indicates strong investor interest in enterprise software.
- Media: Media companies are adapting to digital consumption, but traditional revenue streams are declining. Companies are focusing on innovative content delivery methods to engage audiences.
- Telecom: Telecom operators are investing heavily in 5G infrastructure, which is expected to create new revenue streams from enhanced mobile services and IoT applications.
- Fintech: The fintech sector is experiencing significant growth, with innovations in payment solutions and digital banking. The funding secured by MoEngage highlights the consolidation trend in this space.
- AI: The AI subsector is booming, with applications across various industries. TCS's investment in AI data centers positions it to meet the growing demand for AI infrastructure.

Trading Multiples Trends

Valuation Multiples: As of Q3 2025, the average EV/EBITDA multiple for the TMT sector is approximately 16.2x, with notable variations across subsectors:

- Software: 21.5x
- Media: 11.7x
- Telecom: 10.2x
- Fintech: 19.5x
- AI: 23.8x

These multiples reflect 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 express optimism about the long-term prospects of the TMT sector, particularly in AI and data centers. An analyst noted, "The integration of AI into business operations is not just a trend; it's a fundamental shift that will redefine how companies operate and compete."

Actionable Insights for Bankers and Investors

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- 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 undergoing significant changes driven by technological advancements and strategic partnerships. By focusing on growth areas 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 vibrant array of live deals, mandated transactions, and active pitches. This section provides an in-depth analysis of ongoing activities, expected revenues, and strategic implications for our team.

Deal Pipeline

Live Deals:

- Nvidia Corporation (NVDA) : Currently in the due diligence phase for a strategic partnership aimed at expanding its data center capabilities. The expected close is projected for Q2 2026, following strong quarterly results that highlighted a leap in data center revenue from \$15 billion to a forecasted \$280 billion next year. This partnership could significantly enhance Nvidia's market position in AI infrastructure.

Mandated Deals:

- India Semiconductor Initiative : Secured a mandate to advise the Indian government on its \$10 billion semiconductor push, aiming to achieve parity with the US and China by 2032. The initiative is expected to launch in Q1 2026, focusing on large-scale manufacturing and design capabilities.
- Accel (ACEL) : Mandated to explore funding opportunities within the deeptech sector, which is projected to account for up to one-third of VC funding in India over the next two to three years. The initiative is set to kick off in Q2 2026, targeting innovative startups in hardware and AI.

Pitching-Stage Deals:

- Telecom Sector : Active discussions with major telecom operators, including Verizon (VZ) and AT&T (T), regarding potential M&A opportunities to consolidate market share in the 5G space. Pitches are expected to finalize by Q3 2025.

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- Fintech Startups : Engaging with various fintech companies for potential investment banking services, focusing on those innovating in payment solutions and blockchain technology. Notable clients include Square (SQ) and Stripe, with discussions ongoing.

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 close for Nvidia's partnership.
- Q1 2026 : Launch of the India Semiconductor Initiative.
- Q2 2026 : Kickoff of Accel's deeptech funding exploration.
- Workload Allocation and Capacity Analysis :
- Current analyst and associate bandwidth is at 80%, with 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 strong demand for advisory services in semiconductor and AI 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 space, where India is making significant strides to compete with the US and China. The government's \$10 billion initiative is expected to attract substantial investment and innovation, creating new advisory opportunities.
- Additionally, the rise of deeptech startups in India, as highlighted by Accel's focus, indicates a growing market for venture capital in technology-driven sectors. This trend could lead to increased deal flow and collaboration opportunities for our team.

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

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semiconductors and AI, 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 developments in the TMT sector, particularly involving major players like Vodafone Idea (Vi), Verizon, and Nokia, present a complex landscape of stakeholder impacts. This analysis explores how these changes affect shareholders, employees, competitors, and customers, while also considering market reactions and future implications.

Deal-Specific Impacts on Stakeholders

- Shareholders: The financial health of companies like Vodafone Idea and Verizon is under scrutiny, with significant implications for shareholder value.
- Value Creation: For Vodafone Idea, the government's intervention, converting AGR dues into equity, could stabilize the company. If the AGR principal is reduced from Rs17,213 crore to Rs9,363 crore, as projected, annual installments could drop to Rs954 crore, making it manageable and potentially increasing shareholder value.
- Dilution: Conversely, Verizon's decision to cut 13,000 jobs may reflect an effort to streamline operations, but it could also lead to short-term shareholder concerns about the company's ability to maintain its market position amid rising competition and economic pressures.
- Employees: The impact on employees varies significantly across companies.
- Synergies: Vodafone Idea's restructuring, aided by government support, may lead to improved job security for remaining employees, as a stronger company can stabilize employment.
- Restructuring: In contrast, Verizon's layoffs of 13,000 workers represent a significant restructuring effort, which could lead to decreased morale and productivity among remaining staff. The establishment of a \$20 million Reskilling and Career Transition Fund is a positive step, but the immediate impact of job losses is profound.
- Competitors: The competitive landscape is shifting, particularly in the telecom sector.
- Market Positioning: The government's stake in Vodafone Idea could prevent a duopoly in the Indian telecom market, countering the dominance of Reliance Jio and Bharti Airtel. This move is crucial as it maintains a competitive environment that benefits consumers.
- Specific Competitor Moves: Verizon's layoffs may prompt competitors like AT&T to reassess their

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operational strategies to capture market share from displaced Verizon employees and customers.

- Customers: Customer implications are significant in the context of service offerings and market competition.
- Product/Service Implications: Vodafone Idea's potential recovery could enhance competition, leading to better service offerings and pricing for consumers. A stronger Vi could prevent price hikes that often accompany market consolidation.
- Case Studies: Nokia's division of its AI and telecom businesses into separate units aims to enhance service delivery and innovation, which could lead to improved customer experiences in the long run.

Market Reaction and Analyst Commentary

- Market Reaction: The market's response to these developments has been mixed.
- Following the news of Verizon's layoffs, shares initially dipped, reflecting investor concerns about the company's future. However, analysts noted that the restructuring could lead to long-term cost savings.
- Analyst Commentary: A notable quote from an analyst highlighted, "While painful in the short term, Verizon's cuts could position the company for a more sustainable future amidst rising competition."

Expected Market Reaction and Scenario Analysis

- Scenario Analysis: The market's reaction can be assessed through various scenarios:
- Positive Scenario: If Vodafone Idea successfully restructures and reduces its AGR dues, shares could rise by 20% within a year, reflecting renewed investor confidence.
- Negative Scenario: If Verizon's layoffs lead to operational disruptions, shares could fall by 10%, indicating investor concerns about the company's ability to compete effectively.

Potential Counter-Bids or Competing Offers

- Likelihood Assessment: The likelihood of counter-bids in the current environment is moderate.
- For example, if Vodafone Idea's restructuring proves successful, it could attract interest from private equity firms looking to invest in a revitalized telecom player. However, the regulatory landscape remains a significant barrier.

Similar Deals Likely to Follow

- Sector Consolidation Predictions: The TMT sector is poised for continued consolidation.
- Analysts predict that more telecom companies may seek government support or strategic partnerships to enhance their competitive positioning, similar to Vodafone Idea's recent developments.

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Key Risks and Mitigants

- Integration Risks: The integration of new equity stakes and restructuring efforts poses risks. Mitigants include clear communication strategies and phased implementation plans to minimize disruption.
- Regulatory Risks: Ongoing regulatory scrutiny could impact future deals. Engaging proactively with regulators can help mitigate potential delays.
- Market Risks: Economic volatility may affect deal valuations. Structuring deals with performance-based contingencies can protect against adverse market movements.

Actionable Insights for Clients and Bankers

For Clients:

- Monitor regulatory developments closely, as they can significantly impact financial strategies and operational capabilities.
- Consider strategic partnerships or government engagement to enhance market positioning and stability.

For Bankers:

- Develop robust financial models to assess the impact of potential restructuring on shareholder value.
- Stay informed about competitor strategies to provide timely and relevant advice to clients navigating the evolving landscape.

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), SaaS (Software as a Service), 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 technologies that enable machines to perform tasks that typically require human intelligence, such as natural language processing, image recognition, and decision-making. The global AI market is projected to grow from \$93.5 billion in 2021 to \$997.8

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billion by 2028, at a CAGR of 40.2%. This growth is driven by advancements in machine learning, deep learning, and increased investment in AI research.

- Key Companies:
 - NVIDIA Corporation (NVDA): NVIDIA is a leader in AI hardware and software, providing GPUs that power AI applications. The company reported a 66% year-over-year increase in data-center sales, highlighting its strong position in the AI market. NVIDIA's aggressive projections of \$500 billion in sales from AI chips underscore its strategic focus on this sector.
 - Genspark: While specific financial metrics are not available, Genspark is involved in developing AI productivity solutions. The company recently raised \$275 million to enhance its AI offerings, indicating strong market interest and potential for growth.
 - Competitive Landscape: The AI market is highly competitive, with major players like Google (GOOGL), Amazon (AMZN), and Microsoft (MSFT) also investing heavily in AI technologies. The landscape is characterized by rapid innovation and a race for supremacy, leading 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 applications, such as natural language processing or computer vision. For instance, NVIDIA's strong market position may lead it to explore acquisitions that bolster its AI ecosystem.

SaaS (Software as a Service)

- Trend Explanation: SaaS refers to software delivery models where applications are hosted in the cloud and accessed via the internet. The global SaaS market is expected to grow from \$157 billion in 2020 to \$307 billion by 2026, at a CAGR of 12.5%. The shift to remote work and digital transformation initiatives are driving this growth.
- Key Companies:
 - MoEngage: This enterprise SaaS company is finalizing a \$150 million transaction as part of a larger \$260 million funding round. MoEngage focuses on customer engagement and analytics, positioning itself as a key player in the SaaS market with a pre-investment valuation of \$750 million.
 - Competitive Landscape: The SaaS market features a mix of established players like Salesforce (CRM) and emerging startups. The competitive dynamics are influenced by the need for continuous innovation and customer-centric solutions.
 - M&A Opportunities: As the SaaS market expands, larger companies may seek to acquire niche players to enhance their service offerings. MoEngage's recent funding round could position it as a potential acquisition target for larger SaaS firms looking to bolster their customer engagement capabilities.

Cryptocurrency

- Trend Explanation: Cryptocurrency represents a digital or virtual currency that uses cryptography for security and operates on blockchain technology. The cryptocurrency market has seen

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explosive growth, with the total market capitalization reaching over \$2 trillion in 2021. The increasing acceptance of cryptocurrencies by institutional investors and the rise of decentralized finance (DeFi) are key drivers of this trend.

- Key Companies:
 - Numerai: This AI-driven hedge fund recently raised \$30 million in a Series C funding round, achieving a valuation of \$500 million. Numerai incentivizes data scientists to create predictive models using its Numeraire (NMR) token, showcasing the integration of AI and cryptocurrency.
 - Competitive Landscape: The cryptocurrency market is characterized by volatility and rapid innovation, with major players like Coinbase (COIN) and Binance competing for market share. The rise of DeFi platforms and NFT marketplaces is further reshaping the landscape.
 - M&A Opportunities: As the cryptocurrency market matures, traditional financial institutions may look to acquire crypto-related companies to enhance their digital asset capabilities. Numerai's success and unique model could attract interest from larger financial firms seeking to enter the cryptocurrency space.

Actionable Insights for Bankers and Investors

Focus on identifying startups within the AI, SaaS, and cryptocurrency sectors that exhibit strong growth potential and innovative solutions.

Consider strategic partnerships or acquisitions to enhance capabilities in these rapidly evolving markets, particularly for firms looking to diversify their portfolios and leverage emerging technologies.

Monitor funding rounds and valuations closely, as they can indicate potential acquisition targets or investment opportunities in the tech landscape.

6. Recommended Readings

Deal Name: Priority Technology Take-Private Proposal

- Reading Material: "Private Equity Operational Due Diligence" by Jason Scharfman
- Why This Matters: This book provides a comprehensive overview of the due diligence process in private equity transactions, which is crucial for understanding the dynamics behind Buckley Capital's proposal to take Priority Technology (PRTH) private. It emphasizes the importance of assessing operational efficiencies and potential risks, helping to contextualize the skepticism surrounding the proposal and the factors that could influence its acceptance or rejection.

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7. MACROECONOMIC UPDATE

Key Data Points:

- S&P 500 12-month target: 7800
- Projected earnings growth for S&P 500: 17%
- Average S&P stock decline: over 30% into April
- Duration of rolling recession: 3 years

Main Insights:

- A new bull market began in April 2023 following the end of a rolling recession.
- Policy choices made by the current administration are expected to be growth-positive for 2026.
- The Fed is anticipated to adopt a more dovish stance than currently expected due to labor market weaknesses.
- The government shutdown has further weakened the economy and delayed Fed action.

Market Commentary:

- "We believe a new bull market began in April with the end of a rolling recession and bear market." - Mike Wilson, Morgan Stanley
- "The missing ingredient for the typical broadening in stock performance that happens in a new business cycle is rate cuts." - Mike Wilson, Morgan Stanley

TMT Sector Relevance:

- The anticipated dovish Fed policy could lead to increased capital availability for TMT companies, fostering M&A activity.
- A recovery in earnings and operating leverage may benefit TMT firms, particularly in Software and Consumer Discretionary sectors.
- The preference for Software over Semiconductors indicates a potential shift in investment focus within the TMT landscape, impacting valuations and growth prospects.

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