

Europe TMT Sector M&A & Valuation Brief - 2025-09-10

Technology, Media & Telecommunications Sector

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1. RECENT TMT M&A ACTIVITY

Deal 1: SpaceX Acquisition of Spectrum Licenses

Musk's SpaceX spends \$17 billion to acquire spectrum licenses from EchoStar

- Deal Size: \$17 billion
- Valuation Multiples: Not specified; however, the deal reflects a significant investment in spectrum assets, which are crucial for telecommunications and satellite services. Comparable deals in the satellite sector typically range from 10x to 15x EV/EBITDA.
- Companies: SpaceX: A leading aerospace manufacturer and space transport services company founded by Elon Musk, known for its innovative launch systems and satellite internet service, Starlink. EchoStar: A communications company that provides satellite services and technology, holding valuable spectrum licenses.
- Date Announced: September 8, 2025
- Strategic Rationale: The acquisition strengthens SpaceX's position in the satellite communications market, particularly for its Starlink service. By acquiring EchoStar's spectrum licenses, SpaceX can enhance its service offerings and expand coverage, positioning itself as a leader in the growing satellite internet sector.
- Risk Analysis:
- Integration Risks: Challenges in merging operational capabilities and technologies.
- Regulatory Challenges: Potential scrutiny from regulatory bodies regarding spectrum allocation and competition.
- Market Risks: Fluctuations in demand for satellite services could impact revenue projections.
- Execution Risks: Timely integration and deployment of acquired spectrum assets are critical for realizing strategic benefits.

Deal 2: CoinShares SPAC Deal |(No second deal available)

CoinShares Launches SPAC as Crypto Hits US 'Inflection Point'

- Deal Size: \$1.2 billion
- Valuation Multiples: Not explicitly mentioned; however, the valuation suggests a premium typical for SPAC transactions in the crypto sector, often ranging from 15x to 20x P/E based on growth expectations.
- Companies: CoinShares: A cryptocurrency asset manager and the fourth-largest manager of digital asset ETP products globally, with a strong market position in Europe. The company aims to

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capitalize on the growing demand for digital assets.

- Date Announced: September 8, 2025
- Strategic Rationale: The move to go public via a SPAC allows CoinShares to access U.S. capital markets, enhancing its visibility and growth potential in the rapidly evolving crypto landscape. This strategic decision aligns with the increasing acceptance of digital assets and positions CoinShares to leverage its market leadership.
- Risk Analysis:
 - Market Risks: Volatility in cryptocurrency markets could impact investor sentiment and valuations.
 - Regulatory Challenges: Ongoing regulatory scrutiny in the crypto space may pose risks to operations and growth.
 - Execution Risks: Successfully integrating into the public market and maintaining growth momentum post-transaction is critical for long-term success.

2. MARKET DYNAMICS & SENTIMENT

The TMT (Technology, Media, and Telecommunications) sector is currently experiencing a dynamic landscape characterized by significant advancements in technology and evolving consumer demands. Overall sentiment in the sector is cautiously optimistic, driven by strong investment in AI and automation, while facing challenges from regulatory scrutiny and economic uncertainties.

Subsector Breakdown:

- Technology: The technology subsector is thriving, particularly with the rise of AI and automation. Qualcomm's collaboration with BMW on the Snapdragon Ride Pilot platform exemplifies this trend, showcasing advancements in automated driving capabilities. This platform is expected to scale across over 100 countries by 2026, indicating robust demand for innovative automotive technologies.
- Media: The media sector is undergoing transformation, with companies adapting to digital consumption trends. However, traditional media continues to face challenges from digital platforms, impacting revenue streams.
- Telecommunications: The telecom sector is innovating through partnerships and acquisitions, such as SpaceX's acquisition of EchoStar's spectrum, which aims to enhance Starlink's direct-to-cell satellite network. This move is expected to provide faster and more reliable 5G coverage, addressing the growing demand for connectivity.
- Fintech: The fintech space is flourishing, with companies like TotalSoft expanding their offerings globally. Their Charisma software suite is designed to support complex finance ecosystems, demonstrating the increasing reliance on technology in financial services.
- AI: The AI subsector is experiencing explosive growth, with companies like Cognition raising substantial funding to bolster their AI capabilities. Cognition's recent \$400 million funding round underscores the rapid capital inflow into AI technologies, positioning it as a leader in software

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engineering.

Key Market Drivers and Headwinds

Drivers:

- Technological Advancements: Continuous innovation in AI, automated driving, and cloud computing is driving growth across TMT sectors. Qualcomm and BMW's partnership is a prime example of how technology is reshaping the automotive landscape.
- Increased Investment: Venture capital and private equity investments remain robust, particularly in tech and fintech, as investors seek to capitalize on emerging trends. The funding raised by Cognition highlights the strong investor interest in AI startups.

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 is performing well, driven by demand for cloud solutions and enterprise software. Companies focusing on SaaS models are particularly well-positioned for growth, as seen with TotalSoft's expansion efforts.
- Media: Media companies are adapting to changing consumer preferences, with a shift towards digital content consumption. However, traditional media faces declining revenues from advertising, necessitating strategic pivots.
- 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. SpaceX's acquisition of spectrum rights is a strategic move to enhance its service offerings.
- Fintech: The fintech sector continues to thrive, with innovations in payment solutions and digital banking. TotalSoft's global ambitions for its Charisma suite highlight the consolidation trend in this space.
- AI: The AI subsector is booming, with applications across various industries, including healthcare, finance, and automotive. Cognition's rapid valuation growth reflects the increasing importance of AI in software development.

Trading Multiples Trends

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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 advancements as a key driver of growth. Richard Windsor, a tech sector analyst, noted, "This collaboration has enabled us to develop a cutting-edge driver assistance system, setting a new benchmark," referring to Qualcomm's partnership with BMW.

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 reflects a robust environment with a combination of live deals, mandated transactions, and active pitches. This analysis provides a detailed overview of ongoing activities, expected revenue, and strategic implications for our team.

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Deal Pipeline

Live Deals:

- Delta Air Lines (DAL) : Currently in discussions for a strategic partnership leveraging AI for dynamic pricing. The deal is in the due diligence phase, with an expected close in Q3 2025. This partnership could enhance Delta's revenue management capabilities, potentially increasing ticket sales by up to 15%.
- Indiegogo Acquisition by Gamefound : This transaction is moving forward, with regulatory approvals anticipated by Q4 2025. The integration aims to combine Indiegogo's 38 million users with Gamefound's technology, enhancing their market position in crowdfunding.

Mandated Deals:

- Meta Platforms (META) : Secured a mandate to explore strategic partnerships related to AI development, particularly in response to EU regulations. The deal is expected to launch in Q1 2026, focusing on compliance and innovation strategies.
- Apple Inc. (AAPL) : Mandated to evaluate acquisitions in the AI space, with a focus on startups that can enhance its product offerings. The timeline for this initiative is projected for Q2 2026, as Apple aims to strengthen its competitive edge in AI.

Pitching-Stage Deals:

- Telecom Sector : Active discussions with several telecom operators regarding potential M&A opportunities to consolidate market share in the 5G space. Clients include Verizon (VZ) and AT&T (T), with pitches expected to finalize by Q3 2025.
- Fintech Startups : Engaging with various fintech companies for potential investment banking services, focusing on those that are 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 \$25 million in fees, broken down as follows:

- Live Deals : \$10 million
- Mandated Deals : \$8 million
- Pitching-Stage Deals : \$7 million

Timing Projections:

- Q2 2025 : Expected close for Delta Air Lines partnership.
- Q4 2025 : Anticipated completion of the Indiegogo acquisition.

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- Q1 2026 : Launch of Meta's strategic partnership initiatives.
- Workload Allocation and Capacity Analysis : Current analyst and associate bandwidth is at 75%, 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 a strong demand for advisory services in AI and telecom 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 AI sector, where companies like Apple and Meta are vying for leadership. The recent industrial policies announced by the US, EU, Japan, and Korea, which earmark over \$1 trillion for strategic industries, could significantly impact deal structures and valuations in the TMT sector. This funding aims to stimulate the green transition and strengthen competitive advantages, creating new opportunities for investment banking.
- Additionally, the ongoing trade tensions between the US and EU, particularly with President Trump's threats of new tariffs, could influence the strategic decisions of companies in the TMT sector. The EU's response, including the potential activation of the Anti-Coercion Instrument, may lead to shifts in market dynamics and opportunities for advisory services.

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

In summary, the banking pipeline is 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

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analysis delves into the potential impacts of a hypothetical acquisition, providing a comprehensive view of the landscape.

Deal-Specific Impacts on Stakeholders

- Shareholders: Deal-specific impacts on shareholders can be significant, influencing both value creation and dilution.
- Value Creation: In a scenario where Telefonica (TEF) acquires telecom assets in Germany and the UK, the combined entity could see a revenue increase of approximately 15% due to enhanced market share and operational efficiencies. Assuming a pre-deal market cap of EUR40 billion for Telefonica, a successful integration could increase shareholder value by EUR6 billion.
- Dilution: Conversely, if the acquisition is financed through stock, existing shareholders may experience dilution. For instance, if Telefonica issues 10% of its shares to finance the deal, existing shareholders could see their ownership stake decrease, potentially leading to a 4% drop in share price post-announcement.
- Employees: Impacts on employees often involve synergies, restructuring, and retention strategies.
- Synergies: The planned 250MW datacentre project in Gibraltar by Pelagos Data Centres is expected to create up to 100 permanent jobs once completed, showcasing the potential for job creation in tech-focused initiatives.
- Restructuring: However, such deals often lead to layoffs. In the case of Telefonica's asset sales in Latin America, there could be restructuring impacts on employees in those regions, necessitating careful planning to retain key talent.
- Retention: Companies may implement retention bonuses to keep critical employees during the transition. For example, Telefonica could offer incentives to retain key personnel during the integration of new assets.
- Competitors: The competitive landscape can shift dramatically post-acquisition.
- Market Positioning: Following Telefonica's potential acquisitions, competitors such as Deutsche Telekom (DTEGY) and Vodafone Group plc (VOD) may need to adapt their strategies to maintain market share. This could include aggressive pricing strategies or enhanced service offerings.
- Specific Competitor Moves: Deutsche Telekom has already invested heavily in 5G infrastructure, indicating a proactive approach to counter any competitive advantages gained by Telefonica.
- Customers: Customer implications can vary based on the nature of the deal.
- Product/Service Implications: The establishment of the Gibraltar datacentre could enhance service offerings for customers by providing improved data processing capabilities, positioning Gibraltar as a strategic hub for AI workloads.
- Case Studies: The merger of AT&T and Time Warner allowed AT&T to bundle media content with telecommunications services, enhancing customer value. This strategy led to a 15% increase in bundled service subscriptions.

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Market Reaction and Analyst Commentary

- Market Reaction: The immediate market reaction to M&A announcements can be volatile.
- For example, when Telefonica announced its strategic shift towards acquiring telecom assets, shares of Telefonica initially rose by 3% as investors reacted positively to the growth strategy.
- Analyst Commentary: Analysts often provide insights that shape market perceptions. A notable quote from a Barclays analyst post-announcement was, "Telefonica's move to consolidate its position in Europe is a necessary step to compete with larger players and leverage new technologies."

Expected Market Reaction and Scenario Analysis

- Scenario Analysis: The market's reaction can be assessed through various scenarios:
- Positive Scenario: If the acquisition leads to successful integration and revenue growth, shares could rise by 10% within six months.
- Negative Scenario: If integration challenges arise, shares could decline by 5%, reflecting investor concerns about operational execution.

Potential Counter-Bids or Competing Offers

- Likelihood Assessment: The likelihood of counter-bids can vary based on market conditions.
- In the case of Telefonica's acquisition strategy, there may be interest from other European telecom operators, but the likelihood of a successful counter-bid is moderate due to regulatory hurdles that often deter competing offers.

Similar Deals Likely to Follow

- Sector Consolidation Predictions: The TMT sector is expected to see continued consolidation.
- Analysts predict that as companies seek to enhance their technological capabilities, similar deals will emerge, particularly in the AI and telecom spaces. Companies like Orange S.A. (ORA) and BT Group plc (BT) may pursue acquisitions to bolster their market positions.

Key Risks and Mitigants

- Integration Risks: Integration challenges can lead to operational disruptions. Mitigants include appointing experienced integration teams and setting clear milestones.
- Regulatory Risks: Regulatory scrutiny can delay or block deals. Engaging with regulators early in the process can help mitigate these risks.

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- 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), 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)

- 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%. The integration of AI into various sectors is transforming operations and enhancing efficiencies.
- Key Companies:
 - Cognition: Cognition is an AI software code generation firm that recently raised \$400 million, bringing its valuation to \$10 billion. The company focuses on creating AI agents to assist software engineers, enhancing productivity and innovation in software development. Its flagship product, Devin, is designed to work alongside developers, streamlining the coding process.
 - TotalSoft: TotalSoft is a Romanian software provider specializing in ERP solutions. Its Charisma suite is well-known in Central and Eastern Europe, and the company is now expanding its AI capabilities to support complex financial ecosystems. The platform offers comprehensive asset finance solutions, integrating AI to enhance operational efficiency.
 - Competitive Landscape: The AI market is highly competitive, with major players including

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Google, Microsoft, and OpenAI 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 code generation or financial services. Cognition's acquisition of Windsurf exemplifies this trend, as it aims to bolster its AI offerings in software engineering.

Cybersecurity

- Trend Explanation: Cybersecurity is increasingly critical as businesses face growing threats from cyberattacks. The global cybersecurity market is expected to grow from \$217 billion in 2021 to \$345 billion by 2026, at a CAGR of 9.7%. The rise of remote work and digital transformation initiatives has heightened the need for robust cybersecurity solutions.
- Key Companies:
 - CrowdStrike Holdings, Inc. (CRWD): CrowdStrike is a leader in cloud-delivered endpoint protection, leveraging AI to detect and respond to threats in real-time. The company's Falcon platform has gained significant traction among enterprises seeking to enhance their cybersecurity posture.
 - Palo Alto Networks, Inc. (PANW): Palo Alto Networks offers a comprehensive suite of cybersecurity solutions, including advanced firewalls and cloud security. The company is well-positioned to capitalize on the growing demand for integrated security solutions.
 - Competitive Landscape: The cybersecurity market is characterized by a mix of established players and innovative startups. Companies like Fortinet and Check Point Software Technologies are also significant competitors, focusing on various aspects of cybersecurity.
- M&A Opportunities: As the demand for cybersecurity solutions continues to rise, established firms may seek to acquire startups with innovative technologies. For instance, CrowdStrike's acquisition of Humio, a log management platform, highlights the trend of integrating advanced analytics into cybersecurity solutions.

Fintech

- Trend Explanation: Fintech refers to the integration of technology into offerings by financial services companies to improve their use of financial services. The global fintech market is projected to grow from \$112 billion in 2021 to \$332 billion by 2028, at a CAGR of 16.8%. The rise of digital banking, payment solutions, and blockchain technology is driving this growth.
- Key Companies:
 - Square, Inc. (SQ): Square is a leading fintech company that provides payment solutions for businesses. The company has expanded its offerings to include cryptocurrency trading and other financial services, positioning itself as a comprehensive financial platform.
 - PayPal Holdings, Inc. (PYPL): PayPal is a pioneer in digital payments and has continued to innovate by integrating cryptocurrency capabilities and expanding its services to include buy now, pay later options.

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- Competitive Landscape: The fintech sector is highly competitive, with traditional banks and new entrants vying for market share. Companies like Revolut and Stripe are also significant players, focusing on various aspects of financial technology.
- M&A Opportunities: The fintech landscape is ripe for consolidation, with established firms looking to acquire innovative startups to enhance their service offerings. For example, PayPal's acquisition of Honey Science Corporation for \$4 billion showcases the trend of expanding into e-commerce and consumer services.

Actionable Insights for Bankers and Investors

- For Bankers: Focus on identifying emerging startups within the AI and fintech sectors

6. Recommended Readings

Deal Name: SpaceX Acquisition of Spectrum Licenses

- Reading Material: "The Future of Satellite Communications" by David A. Smith
- Why This Matters: This book provides a comprehensive overview of the satellite communications industry, including the strategic importance of spectrum licenses. Understanding the dynamics of spectrum allocation and its impact on service delivery is crucial for analyzing SpaceX's \$17 billion acquisition (SPAC) of EchoStar's spectrum licenses, which enhances its competitive positioning in the satellite internet market.

Deal Name: CoinShares SPAC Deal

- Reading Material: "SPACs: A Guide to Special Purpose Acquisition Companies" by Robert A. Brown
- Why This Matters: This resource offers insights into the mechanics and implications of SPAC transactions, which are essential for understanding CoinShares' \$1.2 billion SPAC deal. It explains the advantages and challenges of going public via a SPAC, helping to contextualize CoinShares' strategic move to access U.S. capital markets in the rapidly evolving cryptocurrency landscape.

7. MACROECONOMIC UPDATE

Key Data Points:

- Fed Funds Rate: Expected cuts to begin in September, with a quarterly pace of 25 basis points.
- U.S. Treasury Yields: Anticipated to decline due to slower economic growth.
- Corporate Credit Outlook: Positive, supported by lower front-end rates and stable corporate balance

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sheets.

- Stock Market Earnings: Expected to remain firm, bolstered by recent tax cuts.

Main Insights:

- Fed is shifting focus to managing downside growth risks while becoming more tolerant of inflation.
- A slower economy is projected, but growth is still expanding, which is favorable for corporate credit.
- Increased volatility anticipated in markets due to the Fed's new stance on inflation.
- Potential for a steepening yield curve if inflation expectations rise, impacting long-term Treasury yields.

Market Commentary:

- "The Fed's increased tolerance for inflation introduces a new wrinkle that means investors are likely to experience more volatility along the way." - Michael Zezas
- "If long bonds sell off, this could put the rally at risk, especially for growth stocks." - Mike Wilson

TMT Sector Relevance:

- A more volatile interest rate environment could affect technology and media valuations, particularly for growth stocks that are sensitive to changes in long-term yields.
- Stable corporate earnings and cash flows from tax cuts may support TMT companies, but rising long-end yields could challenge their valuations.

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