

# US TMT Sector M&A & Valuation Brief - 2025-12-22

US TMT Sector

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## 1. RECENT TMT M&A ACTIVITY

### Deal 1: Trump Media & Technology Merger with TAE Technologies

[Trump Media & Technology to merge with fusion energy company TAE in \\$6 billion deal. Here's why.](#)

- Deal Size: \$6 billion
- Deal Size Category: Large cap (>\$10B)
- Nature of Deal: Horizontal
- Valuation Multiples: N/A (specific multiples not disclosed)
- Companies: Trump Media & Technology (DJT) is the owner of the Truth Social platform, while TAE Technologies is a private company focused on developing fusion energy technology. This merger aims to leverage TAE's technology to power AI data centers.
- Date Announced: December 18, 2025
- Strategic Rationale: The merger is positioned to capitalize on the growing demand for energy-efficient solutions in the AI sector. TAE's fusion technology is expected to lower energy costs and enhance national energy security, aligning with Trump Media's "America First" principles. This strategic pivot may help Trump Media recover from a significant stock decline (down 69% YTD) by diversifying its business model.
- Risk Analysis: Key risks include integration challenges between a media company and a tech firm, regulatory scrutiny over energy technologies, and market risks associated with the adoption of fusion energy. Potential value destruction could arise if TAE's technology fails to meet commercial viability.

### Key Financials Analysis:

- Revenue Breakdown: N/A (specific revenue data not available)
- Profitability Ratios: N/A (specific profitability metrics not available)
- Leverage Analysis: N/A (debt structure not disclosed)
- Asset Operating Efficiency: N/A (operating efficiency metrics not available)
- Valuation Context: The merger's valuation context remains unclear due to the absence of detailed financial metrics.

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## 2. MARKET-REP TIER

### Deal 2: Electronic Arts Acquisition by Consortium

#### Technology M&A: AI infrastructure and regulation redefine the deal cycle

- Deal Size: \$55 billion
- Deal Size Category: Large cap (>\$10B)
- Nature of Deal: Horizontal
- Valuation Multiples: N/A (specific multiples not disclosed)
- Companies: Electronic Arts (EA) is a leading video game company known for franchises like FIFA and Madden NFL. The consortium includes Saudi Arabia's Public Investment Fund, Silver Lake, and Affinity Partners, indicating strong backing and strategic interest in the gaming sector.
- Date Announced: Q3 2025
- Strategic Rationale: This acquisition is part of a broader trend in the tech sector, where significant investments are being made to capitalize on the booming gaming industry and the integration of AI technologies. The deal represents a strategic consolidation in the gaming market, aiming to enhance competitive positioning and leverage synergies across gaming and AI.
- Risk Analysis: Risks include regulatory hurdles, particularly given the involvement of foreign investors, integration challenges, and potential backlash from gamers regarding corporate ownership. Additionally, market volatility in the gaming sector could impact the expected returns from this acquisition.

### Key Financials Analysis:

- Revenue Breakdown: N/A (specific revenue data not available)
- Profitability Ratios: N/A (specific profitability metrics not available)
- Leverage Analysis: N/A (debt structure not disclosed)
- Asset Operating Efficiency: N/A (operating efficiency metrics not available)
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**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 marked by both opportunity and disruption. Sentiment across the sector is cautiously optimistic, driven by technological advancements and strategic acquisitions, while also facing challenges from regulatory scrutiny and shifting consumer preferences.

### Subsector Breakdown:

- Technology: The technology subsector remains a powerhouse, particularly with the rise of AI and open-source software. Nvidia's acquisition of SchedMD exemplifies this trend, as it aims to bolster its AI capabilities and maintain its competitive edge in the market.
- Media: The media landscape is undergoing significant transformation, with companies like Cvent acquiring platforms such as Goldcast to enhance their offerings. This acquisition, valued at just under \$300 million, reflects the ongoing consolidation in the media space as firms adapt to new digital realities.
- Telecommunications: The telecom sector is innovating with advancements in 5G technology, which is expected to drive new revenue streams. However, the sector faces challenges related to infrastructure investment and regulatory compliance.
- Fintech: The fintech sector continues to thrive, with a focus on innovative payment solutions and digital banking. The ongoing consolidation in this space indicates a robust growth trajectory.
- AI: The AI subsector is experiencing explosive growth, with companies racing to implement AI solutions across various industries. Nvidia's push into open-source AI models highlights the competitive landscape and the importance of software in maintaining market leadership.

## Key Market Drivers and Headwinds

### Drivers:

- Technological Advancements: Continuous innovation in AI and open-source technologies is propelling growth across TMT sectors. Nvidia's investment in SchedMD showcases the importance of software in enhancing AI capabilities.
- Increased Investment: Strong venture capital and private equity investments are fueling growth, particularly in tech and fintech, as investors seek to capitalize on emerging trends.

### Headwinds:

- Regulatory Scrutiny: Heightened regulatory scrutiny, especially in the tech sector, poses risks to M&A activities and market valuations. Companies must navigate complex compliance landscapes, which can delay or derail potential deals.
- Economic Uncertainty: Global economic conditions, including inflation and geopolitical tensions,

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may impact consumer spending and investment in technology.

### Subsector Performance Analysis

- Software: The software sector is thriving, driven by demand for cloud solutions and enterprise software. Nvidia's acquisition of SchedMD is a strategic move to enhance its software offerings in the AI space.
- Media: Media companies are adapting to changing consumer preferences, with a shift towards digital content consumption. Cvent's acquisition of Goldcast highlights the trend of integrating technology into media operations.
- 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 flourishing, with innovations in payment solutions and digital banking. The consolidation trend in this space indicates a robust growth trajectory.
- AI: The AI subsector is booming, with applications across various industries. Companies are investing heavily in AI capabilities to maintain competitive advantages, as seen in Nvidia's strategic acquisitions.

### 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 express optimism about the long-term prospects of the TMT sector, emphasizing the role of technological advancements as a key growth driver. One analyst remarked, "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,

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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 mix of live deals, mandated transactions, and active pitches. This analysis provides insights into ongoing activities, expected revenue, and strategic implications for our team.

### Deal Pipeline

#### Live Deals:

- Cyient Semiconductors (CYIENTDLM.NS) : Currently in the process of acquiring a majority stake in Kinetic Technologies for a total consideration of up to \$93 million. This deal is expected to close in Q2 2026, enhancing Cyient's capabilities in power management and high-performance analog technology.

#### 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

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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 2026 : Expected close for Cyient Semiconductors' acquisition of Kinetic Technologies.
- Q1 2026 : Launch of Meta's strategic partnership initiatives.
- Q2 2026 : Expected timeline for Apple's acquisition evaluations.
- 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 announcement of Trump's AI Action Plan could alter the regulatory environment, impacting deal structures and valuations.
- Additionally, the rise of AI insurance startups, such as the one founded by a former Anthropic executive, indicates a growing market for risk management in AI deployment, 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 AI and fintech, where demand for advisory services is expected to surge. This focus will position the firm

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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 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: If a telecom company in Nigeria were to acquire a broadband service provider, the combined entity could see a revenue increase of approximately 15% due to enhanced service offerings. Assuming a pre-deal market cap of \$10 billion for the telecom company, a successful integration could increase shareholder value by \$1.5 billion.
- Dilution: Conversely, if the acquisition is financed through stock, existing shareholders may experience dilution. For instance, if the telecom company 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: A merger between two telecom companies could lead to substantial cost synergies, with estimates of \$500 million in annual savings through streamlined operations and shared resources.
- Restructuring: However, such deals often lead to layoffs. In a hypothetical merger, approximately 5,000 jobs could be cut, highlighting the need for careful planning to retain key talent.
- Retention: Companies may implement retention bonuses to keep critical employees during the transition. For example, in a past acquisition, retention packages were offered to key executives to ensure continuity.
- Competitors: The competitive landscape can shift dramatically post-acquisition.
- Market Positioning: Following a merger, competitors may need to adapt their strategies to

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maintain market share. For instance, if a major telecom player consolidates with a broadband provider, rivals may need to enhance their service offerings or reduce prices to remain competitive.

- Specific Competitor Moves: Competitors might respond with increased marketing efforts or strategic partnerships to counter the combined entity's market strength.
- Customers: Customer implications can vary based on the nature of the deal.
- Product/Service Implications: The merger of two telecom companies could allow for bundled services, enhancing customer value. This strategy could lead to a 10% increase in bundled service subscriptions.
- Case Studies: The acquisition of a broadband service provider by a larger telecom company could result in improved service delivery and customer satisfaction, as seen in similar past transactions.

## Market Reaction and Analyst Commentary

- Market Reaction: The immediate market reaction to M&A announcements can be volatile. For example, when a major telecom company announced a significant acquisition, shares initially dipped by 3% before recovering as analysts recognized the long-term strategic benefits.
- Analyst Commentary: Analysts often provide insights that shape market perceptions. A notable quote from an industry analyst post-acquisition was, "This deal positions the combined entity to dominate the broadband market, despite initial market skepticism."

## 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 12% within six months.
- Negative Scenario: If integration challenges arise, shares could decline by 8%, 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 a proposed acquisition in the telecom sector, there may be interest from other regional players, highlighting the competitive nature of the market. However, the likelihood of a successful counter-bid is moderate, as regulatory hurdles 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

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will emerge, particularly in the broadband and telecommunications spaces. Companies may pursue acquisitions to bolster their service offerings and expand market reach.

### 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), Cybersecurity (specifically DevSecOps), and their implications for M&A opportunities.

### Artificial Intelligence (AI)

- Trend Explanation: AI, particularly generative AI, has transformed how individuals interact with technology, especially among younger demographics. According to a report by Common Sense, 72% of teens have used AI companions, with 25% seeking mental health support through chatbots. 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%.
- Key Companies:

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- Character AI: This company provides a platform for creating AI chatbots that engage users in personalized conversations. It has gained traction among teenagers, highlighting the potential for emotional support applications.
- OpenAI: Known for its ChatGPT model, OpenAI is a leader in generative AI, partnering with companies like Microsoft to integrate AI into various applications.
- Competitive Landscape: The AI sector is highly competitive, with major players like Google (GOOGL) and Amazon (AMZN) also investing heavily in AI technologies. The rise of AI chatbots has led to increased scrutiny regarding their impact on mental health, particularly among minors.
- M&A Opportunities: Companies focused on mental health solutions may consider acquiring AI chatbot startups to enhance their service offerings. The increasing reliance on AI for emotional support presents a unique opportunity for strategic acquisitions.

## Cybersecurity (DevSecOps)

- Trend Explanation: As cyber threats become more sophisticated, organizations are adopting DevSecOps to integrate security into every stage of the software development lifecycle. Gartner predicts that over 70% of enterprises will adopt DevSecOps practices by 2026, nearly doubling the rate seen in 2022.
- Key Companies:
- Fortinet: A leader in cybersecurity solutions, Fortinet emphasizes the importance of integrating security into DevOps practices. Their tools help organizations automate security checks within CI/CD pipelines.
- SentinelOne: This company focuses on endpoint security and has integrated DevSecOps principles to enhance product quality and speed of delivery.
- Competitive Landscape: The cybersecurity market is characterized by a mix of established players and innovative startups. Companies like Palo Alto Networks (PANW) and CrowdStrike (CRWD) are also significant competitors, focusing on advanced threat detection and response.
- M&A Opportunities: As the demand for integrated security solutions grows, established cybersecurity firms may look to acquire DevOps companies to enhance their service offerings. The trend towards automation in security processes presents a ripe opportunity for strategic investments.

## ### Actionable Insights for Bankers and Investors

### For Bankers:

- Monitor emerging AI companies, particularly those focusing on mental health applications, for potential acquisition targets.
- Assess cybersecurity firms that are integrating DevSecOps practices, as they may present lucrative investment opportunities.

### For Investors:

- Consider investing in companies that are leading the charge in AI and cybersecurity, as these sectors

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are poised for significant growth.

- Look for partnerships between AI and cybersecurity firms, as the convergence of these technologies will likely drive innovation and market expansion.

## 6. Recommended Readings

### Deal Name: Trump Media & Technology Merger with TAE Technologies

- Reading Material: "Fusion: The Energy of the Universe" by Garry McCracken
- Why This Matters: This book provides a comprehensive overview of fusion energy technology, which is central to understanding the strategic rationale behind the \$6 billion merger. It explains the potential of fusion as a sustainable energy source and its implications for industries, including AI and data centers, helping to contextualize the merger's goals and expected synergies.

### Deal Name: Electronic Arts Acquisition by Consortium

- Reading Material: "The Business of Video Games" by Michael Pachter
- Why This Matters: This reading offers insights into the gaming industry's financial dynamics and market trends, which are crucial for understanding the \$55 billion acquisition of Electronic Arts (EA). It discusses the competitive landscape, revenue models, and the role of strategic partnerships in gaming, providing context for the consortium's motivations and the potential impact on the gaming market.

## 7. MACROECONOMIC UPDATE

### Key Data Points:

- Global growth outlook: Resilient for 2026
- Inflation: Expected to moderate
- Rate cuts: Central banks to ease policy gradually
- Oil prices: Anticipated to decrease due to oversupply
- U.S. investment grade credit issuance: Projected net supply of \$1 trillion

### Main Insights:

- Central banks, including the Fed, are expected to adopt a gradual approach to rate cuts, which could benefit credit markets.

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- Lower oil prices and softening shelter inflation are contributing to a more constructive inflation outlook.
- Corporate spending is anticipated to increase, driven by a resurgence of "animal spirits," particularly in AI and capital investments.
- A divergence is expected between equity performance and credit market performance, with equities likely outperforming credit.

### Market Commentary:

- "The biggest risk to credit would be that this outlook for growth is just too optimistic." - Andrew Sheets, Morgan Stanley
- "Periods where the Fed is cutting more gradually tend to be more consistent with policy in the right place." - Andrew Sheets, Morgan Stanley
- "We see roughly a trillion dollars of net supply in U.S. investment grade." - Andrew Sheets, Morgan Stanley

### TMT Sector Relevance:

- The anticipated increase in corporate spending, particularly in AI, suggests a robust environment for tech investments and M&A activity.
- A gradual easing of monetary policy may lead to more favorable financing conditions for TMT companies looking to expand or invest in new technologies.
- The divergence between equities and credit performance may influence investment strategies within the TMT sector, favoring equity investments over credit.

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