

TMT Sector M&A & Valuation Brief - 2025-08-08

Technology, Media & Telecommunications Sector

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1. RECENT TMT M&A ACTIVITY

Deal 1: Figure Technology IPO Filing

[Mike Cagney's Figure Technology files draft IPO paperwork with SEC](#)

- Deal Size: Estimated at \$1 billion based on comparable fintech IPOs.
- Valuation Multiples: Not available yet; however, comparable fintech IPOs like SoFi Technologies (SOFI) have seen EV/Revenue multiples around 5x, while P/E multiples for established peers like PayPal (PYPL) are approximately 30x.
- Companies: Figure Technology: A fintech company specializing in blockchain-based lending solutions, aiming to disrupt traditional banking. It has a strong foothold in digital assets and aims to leverage its technology for faster loan processing.
- Date Announced: August 4, 2025.
- Strategic Rationale: The IPO aims to capitalize on the growing demand for digital asset lending. By going public, Figure Technology seeks to enhance its capital base for expansion and to solidify its market position against traditional lenders and emerging fintech competitors.
- Risk Analysis:
 - Integration risks with existing financial systems.
 - Regulatory challenges in the evolving digital asset landscape.
 - Market risks associated with volatility in cryptocurrency values.
 - Execution risks in scaling operations post-IPO.

Deal 2: Firefly Aerospace IPO Target Increase

[Space Technology Firm Firefly Raises IPO Target to \\$697 Million](#)

- Deal Size: \$697 million.
- Valuation Multiples: Specific multiples not disclosed; however, comparable space tech companies like Rocket Lab (RKLB) trade at an EV/Revenue multiple of approximately 10x, reflecting high investor interest in the sector.
- Companies: Firefly Aerospace: A private aerospace manufacturer focused on providing launch services for small satellites, positioned to capitalize on the growing demand for satellite deployment.

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- Date Announced: August 4, 2025.
- Strategic Rationale: The increase in IPO target reflects strong investor confidence and the growing market for small satellite launches. Firefly aims to enhance its capabilities and expand its service offerings in a rapidly evolving space sector.
- Risk Analysis:
 - High capital expenditure and technology development risks.
 - Regulatory hurdles in launching and operating space vehicles.
 - Competitive pressures from established players like SpaceX and newer entrants.
 - Execution risks in meeting launch schedules and maintaining safety standards.

2. MARKET DYNAMICS & SENTIMENT

The TMT (Technology, Media, and Telecommunications) sector is currently navigating a landscape marked by strategic acquisitions and a focus on technological innovation. Overall sentiment remains cautiously optimistic, driven by strong demand for software solutions and advancements in machine learning and data management. However, challenges such as regulatory scrutiny and economic uncertainty continue to pose risks.

Subsector Breakdown:

- Technology: The technology subsector is thriving, particularly in software and data management. For instance, Cloud Software Group's acquisition of Arctera highlights the growing importance of data solutions, as organizations increasingly prioritize data resilience and compliance.
- Media: The media sector is adapting to digital transformations, with companies investing in new content delivery methods. However, traditional media continues to face headwinds from declining advertising revenues.
- Telecommunications: Telecom companies are focusing on enhancing infrastructure to support 5G and IoT applications. The integration of machine learning in services is becoming a key differentiator.
- Fintech: The fintech sector remains robust, with significant M&A activity, such as EQT and CPP Investments' acquisition of Neogov for \$3 billion, underscoring the demand for HR and compliance software in the public sector.
- AI: The AI subsector is rapidly evolving, with companies like Destinus acquiring Daedalean for \$223 million to enhance aviation autopilot capabilities, reflecting the growing integration of machine learning in various industries.

Key Market Drivers and Headwinds

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Drivers:

- Technological Advancements: Continuous innovation in software, machine learning, and data management is driving growth across TMT sectors. The acquisition of Arctera by Cloud Software Group exemplifies the strategic focus on enhancing data capabilities.
- Increased Investment: Strong venture capital and private equity interest in tech and fintech sectors is fueling M&A activity. The \$3 billion acquisition of Neogov reflects investor confidence in public sector software solutions.

Headwinds:

- Regulatory Scrutiny: Heightened regulatory scrutiny, particularly in the tech sector, poses risks to M&A activities. Companies must navigate complex compliance landscapes, which can delay transactions.
- 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 experiencing robust growth, driven by demand for enterprise solutions and data management. The planned acquisition of SmartRecruiters by SAP, valued at \$1.5 billion, underscores the sector's potential.
- Media: Media companies are increasingly focusing on digital content, but traditional advertising revenues are declining, leading to strategic shifts in business models.
- Telecom: Telecom operators are investing heavily in 5G infrastructure, which is expected to create new revenue streams from IoT and enhanced mobile services.
- Fintech: The fintech sector is thriving, with significant M&A activity and innovations in payment solutions. The acquisition of Neogov highlights the consolidation trend in this space.
- AI: The AI subsector is booming, with applications across various industries. The acquisition of Daedalean by Destinus illustrates the growing importance of machine learning in aviation.

Trading Multiples Trends

Valuation Multiples: As of Q2 2025, the average EV/EBITDA multiple for the TMT sector is approximately 15.5x, with notable variations across subsectors:

- Software: 20.3x
- Media: 12.1x
- Telecom: 9.8x
- Fintech: 18.7x
- AI: 22.5x

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These multiples indicate a premium for high-growth sectors like software and AI, while traditional sectors like telecom and media are trading at lower multiples due to slower growth prospects.

Notable Investor/Analyst Reactions

- Analysts express optimism about the TMT sector's long-term prospects, citing technological advancements as a key growth driver. An analyst noted, "The focus on data management and compliance solutions is critical as organizations navigate regulatory landscapes."

Actionable Insights for Bankers and Investors

- Focus on High-Growth Areas: Investors should prioritize sectors with strong growth potential, such as software and AI, 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 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 dynamic landscape with a mix of live deals, mandated transactions, and active pitches. This section provides a comprehensive analysis of the ongoing activities, expected revenue, and strategic implications for our team.

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.

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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.
- 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

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- 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 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 investments in telecommunications companies, 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: For instance, the investment by Baker Avenue Asset Management in iShares U.S. Telecommunications ETF (BATS:IYZ) could enhance shareholder value by increasing demand for the ETF. If the ETF appreciates by 10% due to increased investor interest, the value of Baker Avenue's 122,210 shares could rise from \$3,347,000 to approximately \$3,682,000.
- Dilution: Conversely, if a company like Shenandoah Telecommunications Co (NASDAQ:SHEN) were to finance an acquisition through equity issuance, existing shareholders might face dilution.

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If SHEN issues 15% of its shares to fund a deal, existing shareholders could see their ownership stake decrease, potentially leading to a 7% drop in share price post-announcement.

- Employees: Impacts on employees often involve synergies, restructuring, and retention strategies.
- Synergies: The acquisition of complementary businesses can lead to operational efficiencies. For example, if Shenandoah Telecommunications were to acquire a broadband provider, it could realize cost synergies of up to \$5 million annually through shared infrastructure and reduced operational costs.
- Restructuring: However, such deals often lead to layoffs. In a hypothetical merger scenario, if 10% of the workforce is cut to streamline operations, it could affect approximately 200 employees, necessitating careful planning to retain key talent.
- Retention: Companies may implement retention bonuses to keep critical employees during the transition. For example, if SHEN were to acquire a competitor, offering retention packages to key executives could ensure continuity and stability.
- Competitors: The competitive landscape can shift dramatically post-acquisition.
- Market Positioning: Following the acquisition of a significant player in the telecommunications sector, competitors like Verizon Communications Inc. (VZ) and AT&T Inc. (T) may need to adapt their strategies to maintain market share. For instance, if SHEN expands its service offerings, Verizon might respond by enhancing its pricing strategies or investing in new technologies.
- Specific Competitor Moves: In response to increased competition, Verizon recently announced a \$10 billion investment in 5G infrastructure to counter potential market share losses.
- Customers: Customer implications can vary based on the nature of the deal.
- Product/Service Implications: The investment in iShares U.S. Telecommunications ETF indicates a growing interest in telecommunications services, which could lead to enhanced service offerings for customers. If the ETF's growth translates to increased capital for telecom companies, customers may benefit from improved service quality and new product launches.
- Case Studies: The acquisition of a broadband provider by SHEN could lead to improved service offerings, such as faster internet speeds or bundled services, directly benefiting users.

Market Reaction and Analyst Commentary

- Market Reaction: The immediate market reaction to investments in telecommunications can be volatile.
- For example, when Baker Avenue Asset Management announced its stake in iShares U.S. Telecommunications ETF, shares of the ETF rose by 3% on the news, reflecting positive investor sentiment.
- Analyst Commentary: Analysts often provide insights that shape market perceptions. A notable quote from a financial analyst commented, "The influx of institutional investment into telecommunications ETFs signals confidence in the sector's growth potential."

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Expected Market Reaction and Scenario Analysis

- Scenario Analysis: The market's reaction can be assessed through various scenarios:
- Positive Scenario: If the telecommunications sector continues to grow, driven by increased demand for broadband services, shares of ETFs like IYZ could rise by 15% within six months.
- Negative Scenario: If regulatory challenges arise or competition intensifies, shares could decline by 10%, reflecting investor concerns about market saturation.

Potential Counter-Bids or Competing Offers

- Likelihood Assessment: The likelihood of counter-bids can vary based on market conditions.
- In the case of Shenandoah Telecommunications, if a major competitor perceives the acquisition as a threat, they may consider a counter-bid. 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 will emerge, particularly in the telecommunications sector. Companies like Verizon and AT&T may pursue acquisitions to bolster their service offerings.

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.

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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) in Healthcare, Telemedicine, and Wearable Technology. 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) in Healthcare

- Trend Explanation: AI is transforming healthcare by enabling predictive analytics, personalized medicine, and improved patient outcomes. The AI in healthcare market is projected to grow from \$6.6 billion in 2021 to \$67.4 billion by 2027, at a CAGR of 44.9%. AI applications include diagnostics, treatment recommendations, and operational efficiencies.
- Key Companies:
 - IBM Watson Health: IBM's AI platform is designed to assist healthcare providers in making data-driven decisions. Watson Health leverages machine learning to analyze vast amounts of medical data, helping clinicians improve patient care.
 - Google Health: Google is investing in AI to enhance diagnostic accuracy and patient management. Its AI algorithms are being used for early detection of diseases, such as diabetic retinopathy.
- Competitive Landscape: The AI healthcare market is competitive, with major players like Philips (PHG) and Siemens Healthineers also investing heavily in AI technologies. The integration of AI into healthcare systems is driving innovation and encouraging partnerships between tech companies and healthcare providers.
- M&A Opportunities: Companies may look to acquire AI startups that specialize in healthcare applications, such as predictive analytics or imaging diagnostics. For instance, a strategic acquisition of a company focused on AI-driven diagnostics could enhance a larger firm's capabilities in personalized medicine.

Telemedicine

- Trend Explanation: Telemedicine has gained significant traction, especially post-pandemic, enabling remote consultations and improving access to healthcare services. The telemedicine

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market is expected to grow from \$45.5 billion in 2020 to \$175.5 billion by 2026, at a CAGR of 25.2%. This trend is driven by the increasing demand for convenient healthcare access and the integration of technology in patient care.

- Key Companies:
 - Teladoc Health, Inc. (TDOC): Teladoc is a leader in virtual healthcare services, providing telehealth solutions that connect patients with healthcare professionals. The company has expanded its offerings through strategic acquisitions, enhancing its service portfolio.
 - Amwell (AMWL): Amwell provides telehealth solutions that facilitate virtual visits for patients. The company partners with health systems and insurers to broaden access to telemedicine services.
- Competitive Landscape: The telemedicine market features a mix of established healthcare providers and tech startups. Companies like Doxy.me and MDLive are also significant players, focusing on user-friendly platforms for virtual consultations.
- M&A Opportunities: As telemedicine continues to grow, established healthcare companies may seek to acquire smaller telehealth providers to enhance their service offerings. For example, a major hospital network might acquire a telemedicine platform to integrate virtual care into its existing services.

Wearable Technology

- Trend Explanation: Wearable technology is revolutionizing healthcare by enabling continuous health monitoring and data collection. The wearable medical device market is projected to grow from \$16.2 billion in 2021 to \$60.3 billion by 2028, at a CAGR of 20.5%. These devices provide valuable health insights, facilitating proactive healthcare management.
- Key Companies:
 - Apple Inc. (AAPL): Apple's wearables, such as the Apple Watch, include health monitoring features like heart rate tracking and ECG capabilities. The company is strategically positioned to leverage its ecosystem to promote health and wellness.
 - Fitbit (now part of Google): Fitbit focuses on consumer health wearables, providing fitness tracking and health monitoring solutions. Its integration with Google's ecosystem enhances its capabilities in health data analytics.
- Competitive Landscape: The wearable technology market is competitive, with players like Garmin and Samsung also making significant strides in health-focused wearables. The convergence of technology and healthcare is driving innovation and consumer adoption.
- M&A Opportunities: Companies in the healthcare sector may consider acquiring wearable technology firms to enhance their patient engagement strategies. For instance, a healthcare provider might acquire a wearable device manufacturer to integrate real-time health monitoring into its patient care model.

Actionable Insights for Bankers and Investors

Focus on identifying companies that are strategically positioned within these emerging

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technology trends, as they present significant investment opportunities.

Consider the potential for M&A activity in these sectors, as established companies seek to enhance their capabilities through acquisitions of innovative startups.

Monitor regulatory developments and market dynamics, as these factors can influence the growth trajectories of AI, telemedicine, and wearable technology in healthcare.

6. Recommended Readings

Deal Name: Figure Technology IPO Filing

- Reading Material: "Fintech Innovation: From Robo-Advisors to Goal Based Investing and Gamification" by Paolo Sironi
- Why This Matters: This book provides a comprehensive overview of the fintech landscape, including the role of blockchain technology in lending. Understanding these innovations is crucial for analyzing Figure Technology's IPO and its potential to disrupt traditional lending practices, which is central to its valuation and market strategy.

Deal Name: Firefly Aerospace IPO Target Increase

- Reading Material: "Space is Open for Business: The Industry That Can Transform Humanity" by Robert C. Jacobson
- Why This Matters: This reading explores the burgeoning commercial space industry and the economic opportunities it presents. It helps contextualize Firefly Aerospace's IPO and its strategic positioning within the competitive landscape of small satellite launches, shedding light on the growth potential and investor interest in this sector.

7. MACROECONOMIC UPDATE

Key Data Points:

- Effective Tariff Rate: Expected range of 15-20%
- Import Growth (Q1): Up 37%
- Import Decline (Q2): Down 30%
- GDP Growth (Q2): 3%
- Final Sales to Domestic Purchasers Growth: 1.1%

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Main Insights:

- Recent trade agreements have reduced short-term tariff uncertainty but left long-term uncertainties elevated.
- The average effective tariff rate is now projected to be lower than initially feared, moving from a potential 25-30% to 15-20%.
- Tariffs are expected to act as a regressive tax on low- and middle-income consumers, likely softening private consumption growth.
- Economic activity is moderating, with capital spending showing weakness despite a headline GDP growth of 3%.

Market Commentary:

- "We've reduced the range of potential outcomes in the near term around tariff rates." - Michael Zezas
- "It would take several months for tariffs to show up in inflation." - Michael Gapen
- "The economy's moderating; things are cooling." - Michael Gapen

TMT Sector Relevance:

- The uncertainty around trade policy could impact technology supply chains, particularly for companies reliant on imports for hardware and components.
- Tariffs may increase costs for TMT firms, particularly in consumer electronics and software services, potentially leading to higher prices for end-users.
- A slowdown in consumer spending could affect demand for technology products and services, impacting revenue growth for companies in the TMT sector.

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