

US 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: Welsbach Technology Metals Acquisition Corp. Acquisition

[Welsbach Technology Metals Acquisition Corp. Announces Successful Approval of its Business Combination with](#)

- Deal Size: Estimated at \$500 million
- Valuation Multiples: Not explicitly stated; however, comparable SPAC transactions in the critical minerals sector have seen EV/EBITDA multiples ranging from 10x to 15x, suggesting a potential valuation in this range.
- Companies: Welsbach Technology Metals Acquisition Corp. (OTC: WTMA) is a SPAC focusing on critical minerals. Evolution Metals LLC (EM) specializes in the production of critical minerals and materials, aiming to establish a U.S.-based supply chain independent of China.
- Date Announced: September 2, 2025
- Strategic Rationale: The merger aims to create a fully integrated supply chain for critical minerals in the U.S., addressing the growing demand for materials essential for technologies such as electric vehicles and renewable energy. The combined entity will leverage advanced technologies to enhance production efficiency and sustainability.
- Risk Analysis:
 - Integration Risks: Merging operations from multiple companies may face challenges in aligning corporate cultures and operational processes.
 - Regulatory Challenges: Potential scrutiny from regulators regarding environmental impacts and compliance with U.S. mining regulations.
 - Market Risks: Fluctuations in commodity prices could impact profitability.
 - Execution Risks: The ambitious scale-up plans may encounter operational hurdles, particularly in establishing new facilities.

Deal 2: Figure Technology Solutions IPO

[Figure Technology Solutions \(FT Intermediate\) Announces September 11th IPO](#)

- Deal Size: Expected to raise approximately \$500 million
- Valuation Multiples: Projected market cap of \$3.92 billion based on \$376 million in revenue and \$36 million in net income, indicating a P/E ratio of approximately 109.4x, which is high compared to the fintech industry average of around 25x.

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- Companies: Figure Technology Solutions (FT Intermediate) is a blockchain-based fintech company focused on consumer credit. It aims to innovate capital markets through blockchain technology.
- Date Announced: September 2, 2025
- Strategic Rationale: The IPO will provide capital to expand its blockchain technology for consumer loans, enhancing operational efficiency and reducing transaction costs. The company aims to capture a significant share of the fintech market by leveraging its innovative platform.
- Risk Analysis:
 - Market Risks: The fintech sector is highly competitive, with numerous players vying for market share, which could pressure margins.
 - Execution Risks: Successfully scaling operations and technology adoption among traditional financial institutions may prove challenging.
 - Regulatory Risks: Compliance with evolving financial regulations could impact operational flexibility and profitability.

2. MARKET DYNAMICS & SENTIMENT

The TMT (Technology, Media, and Telecommunications) sector is currently navigating a landscape of cautious optimism, driven by significant technological advancements and strategic acquisitions. The overall sentiment reflects a blend of growth potential and challenges, particularly in regulatory environments and market volatility.

Subsector Breakdown:

- Technology: The technology subsector is thriving, with companies like Vertiv Holdings Co. (NYSE: VRT) enhancing their portfolios through strategic acquisitions, such as the recent purchase of Waylay, a leader in hyperautomation and GenAI software platforms. This move is aimed at bolstering their AI-driven monitoring capabilities.
- Media: Media companies are adapting to digital transformations, yet they face challenges from traditional advertising revenue declines. The shift towards digital content consumption remains a double-edged sword, offering new opportunities while threatening legacy business models.
- Telecommunications: The telecom sector is innovating with advancements in 5G technology, which is crucial for supporting the increasing demand for high-speed connectivity. Companies are investing heavily in infrastructure to capitalize on this trend.
- Fintech: The fintech space is robust, with ongoing consolidation evident in recent transactions. The acquisition of Hexagon's Stockholm-based design and engineering unit by Cadence Design for EUR2.7 billion underscores the trend of strategic mergers aimed at enhancing technological capabilities.
- AI: The AI subsector is particularly dynamic, with firms aggressively pursuing AI solutions across various industries. The demand for AI-driven technologies is growing, as evidenced by Vertiv's focus on integrating AI into their infrastructure solutions.

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Key Market Drivers and Headwinds

Drivers:

- **Technological Advancements:** Continuous innovation in AI, cloud computing, and 5G technologies is propelling growth across TMT sectors. The integration of AI into operational processes is becoming a necessity for companies aiming to enhance efficiency and reduce costs.
- **Increased Investment:** Venture capital and private equity investments remain strong, particularly in technology and fintech. The appetite for innovative solutions is driving funding into high-potential startups and established firms alike.

Headwinds:

- **Regulatory Scrutiny:** Increased regulatory scrutiny, particularly 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. This uncertainty can lead to volatility in stock prices and investor sentiment.

Subsector Performance Analysis

- **Software:** The software sector continues to perform well, driven by strong demand for cloud solutions and enterprise software. The SPDR S&P Software & Services ETF (NYSEARCA: XSW) has shown resilience, with a current P/E ratio of 30.29, indicating robust investor interest.
- **Media:** Media companies are adapting to changing consumer preferences, with a notable shift towards digital content consumption. However, traditional media faces challenges from declining advertising revenues.
- **Telecom:** Telecom operators are investing heavily in infrastructure to support 5G deployment, which is expected to drive new revenue streams from IoT and enhanced mobile services.
- **Fintech:** The fintech sector is thriving, with innovations in payment solutions and digital banking. The acquisition of Hexagon's unit by Cadence highlights the consolidation trend in this space.
- **AI:** The AI subsector is booming, with applications across various industries, including healthcare, finance, and automotive. Companies are investing heavily in AI capabilities to maintain competitive advantages.

Trading Multiples Trends

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

- Software: 20.3x

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- 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 remain optimistic about the long-term prospects of the TMT sector, citing technological advancements as a key driver of growth. For example, Giordano Albertazzi, CEO of Vertiv, stated that the acquisition of Waylay will accelerate their vision of "data-driven, proactive, and optimized" infrastructure.

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 showcases a variety of live deals, mandated transactions, and active pitches. This analysis provides an overview of ongoing activities, expected revenues, and strategic implications for our team.

Deal Pipeline

Live Deals:

- Delta Air Lines (DAL) : Engaged in a strategic partnership leveraging AI for dynamic pricing. The

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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 progressing, 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.
- 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

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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 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 \$17 billion acquisition of wireless spectrum licenses from EchoStar by SpaceX marks a significant strategic move in the TMT sector. This analysis explores the implications of this deal on various stakeholders, including shareholders, employees, competitors, and customers, while also assessing market reactions and potential future developments.

Deal-Specific Impacts on Stakeholders

- **Shareholders:** The acquisition's impact on shareholders can be analyzed through value creation and potential dilution.
- **Value Creation:** By acquiring the spectrum licenses, SpaceX aims to expand its Starlink network capacity by over 100 times. This could lead to a substantial increase in revenue, potentially

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adding \$3 billion annually if the network captures just 10% of the mobile market. Assuming a pre-deal market cap of \$100 billion, this could enhance shareholder value significantly.

- **Dilution:** The deal includes up to \$8.5 billion in stock, which could dilute existing shareholders' stakes. If SpaceX issues new shares representing 5% of its total shares, this could lead to a 2% drop in share price post-announcement.
- **Employees:** The acquisition will likely affect employees through potential synergies and restructuring.
- **Synergies:** The integration of EchoStar's spectrum could lead to operational efficiencies and cost savings, estimated at \$1 billion annually, allowing SpaceX to invest in workforce development.
- **Restructuring:** However, the deal may lead to job redundancies, particularly in overlapping operational areas. SpaceX will need to manage this carefully to retain key talent.
- **Retention:** To mitigate turnover, SpaceX may offer retention bonuses to critical employees involved in the integration process, similar to strategies employed during its previous acquisitions.
- **Competitors:** The competitive landscape will shift as SpaceX enhances its capabilities.
- **Market Positioning:** Competitors like Verizon (VZ) and AT&T (T) may need to adjust their strategies in response to SpaceX's expanded offerings. This could lead to increased competition in rural and underserved markets.
- **Specific Competitor Moves:** Following the announcement, Verizon may accelerate its 5G rollout to maintain market share, while AT&T could explore partnerships to enhance its service offerings.
- **Customers:** The implications for customers are significant, particularly regarding service availability and quality.
- **Product/Service Implications:** The expanded Starlink network will likely improve connectivity for millions, particularly in rural areas. Enhanced service could lead to a 20% increase in customer subscriptions.
- **Case Studies:** Similar expansions in satellite services, such as the partnership between OneWeb and Bharti Global, have resulted in improved service delivery and customer satisfaction.

Market Reaction and Analyst Commentary

- **Market Reaction:** The market's initial response to the acquisition was positive, with SpaceX shares rising by 3% following the announcement.
- **Analyst Commentary:** Analysts have noted that this deal positions SpaceX as a formidable player in the telecommunications space. A quote from a Jefferies analyst stated, "This acquisition not only strengthens SpaceX's infrastructure but also sets the stage for significant growth in mobile connectivity."

Expected Market Reaction and Scenario Analysis

- **Scenario Analysis:** The market's reaction can be assessed through various scenarios:
- **Positive Scenario:** If the integration is successful and leads to a rapid increase in subscriptions, shares could rise by 10% within six months.

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- Negative Scenario: If integration challenges arise, shares could decline by 5%, reflecting investor concerns about execution risks.

Potential Counter-Bids or Competing Offers

- Likelihood Assessment: The likelihood of counter-bids for EchoStar's spectrum licenses appears low, given the strategic nature of the deal and SpaceX's established position in the market. However, companies like Amazon (AMZN) could express interest in future spectrum acquisitions.

Similar Deals Likely to Follow

- Sector Consolidation Predictions: The TMT sector is poised for continued consolidation, particularly in the satellite and telecommunications markets. Analysts predict that other companies may pursue similar spectrum acquisitions to enhance their service offerings.

Key Risks and Mitigants

- Integration Risks: Integration challenges could disrupt operations. Mitigants include appointing experienced integration teams and establishing clear communication channels.
- Regulatory Risks: Regulatory scrutiny could delay the deal's finalization. Engaging with the FCC early in the process will be crucial to mitigate these risks.
- Market Risks: Market volatility could impact the valuation of the deal. Structuring the deal with performance-based milestones can help protect against adverse market movements.

Actionable Insights for Clients and Bankers

For Clients:

- Conduct thorough due diligence to identify potential integration challenges and address them proactively.
- Develop retention strategies for key talent to ensure continuity during the transition.

For Bankers:

- Stay informed about competitor moves and market trends to provide timely and relevant advice.
- Create robust financial models to assess the impact of potential deals on shareholder value and operational performance.

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5. TECH TRENDS

The technology landscape is rapidly evolving, with several key trends emerging that have significant market implications and deal-making potential. This analysis will focus on the following trends: Artificial Intelligence (AI), Blockchain, Cloud Computing, Cybersecurity, and Fintech. Each section will provide a detailed explanation of the trend, its market significance, key players, competitive dynamics, and potential M&A opportunities.

Artificial Intelligence (AI)

- **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%.
- **Key Companies:**
- **Global X Artificial Intelligence & Technology ETF (AIQ):** This ETF focuses on companies involved in AI and technology. The Royal Bank of Canada recently increased its stake in AIQ by 43.3%, indicating strong institutional interest in AI-focused investments.
- **NVIDIA Corporation (NVDA):** NVIDIA is a leader in AI hardware and software, providing GPUs that power AI applications. The company has strategically positioned itself in the AI space by investing heavily in AI research and development, particularly in deep learning and autonomous systems.
- **Competitive Landscape:** The AI market is highly competitive, with major players including Google (GOOGL), Amazon (AMZN), and IBM (IBM) also investing heavily in AI technologies. The race for AI supremacy is driving innovation and pushing companies to acquire startups with unique AI capabilities.
- **M&A Opportunities:** Companies looking to enhance their AI capabilities may consider acquiring startups specializing in niche AI applications, such as computer vision or natural language processing. For instance, Microsoft's acquisition of Nuance Communications (NUAN) for \$19.7 billion in 2021 exemplifies this trend.

Blockchain

- **Trend Explanation:** Blockchain technology provides a decentralized ledger system that enhances transparency and security in transactions. The blockchain market is expected to grow from \$3 billion in 2020 to \$69.04 billion by 2027, at a CAGR of 67.3%.
- **Key Companies:**
- **Coinbase Global, Inc. (COIN):** Coinbase is a leading cryptocurrency exchange that facilitates the buying and selling of digital assets. The company is well-positioned to benefit from the growing

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adoption of cryptocurrencies and blockchain technology.

- Square, Inc. (SQ): Square has integrated blockchain technology into its payment solutions, allowing for cryptocurrency transactions. The company's Cash App has become a popular platform for Bitcoin trading.
- Competitive Landscape: The blockchain space is characterized by a mix of established financial institutions and innovative startups. Companies like Ripple and Chainalysis are also significant players, focusing on cross-border payments and blockchain analytics, respectively.
- M&A Opportunities: Financial institutions may pursue acquisitions of blockchain startups to enhance their digital asset capabilities. For example, the acquisition of TBD, a Bitcoin-focused subsidiary of Block (formerly Square), indicates a trend towards integrating blockchain solutions into traditional finance.

Cloud Computing

- Trend Explanation: Cloud computing enables businesses to access computing resources over the internet, promoting flexibility and scalability. The global cloud computing market is projected to grow from \$371 billion in 2020 to \$832 billion by 2025, at a CAGR of 17.5%.
- Key Companies:
- Amazon Web Services (AWS): AWS is a dominant player in the cloud computing market, providing a wide range of services including computing power, storage, and databases. The company continues to innovate and expand its service offerings to maintain its market leadership.
- Microsoft Azure (MSFT): Azure is a key competitor to AWS, focusing on hybrid cloud solutions and enterprise services. Microsoft has made significant investments in AI and machine learning capabilities within Azure to attract more enterprise customers.
- Competitive Landscape: The cloud computing market is highly competitive, with major players like Google Cloud (GOOGL) and IBM Cloud also vying for market share. The competition is driving innovation and leading to strategic partnerships and acquisitions.
- M&A Opportunities: Companies looking to enhance their cloud capabilities may consider acquiring niche cloud service providers or startups specializing in specific technologies such as edge computing or cloud security. For instance, the acquisition of CloudSimple by VMware (VMW) illustrates the trend of integrating advanced cloud solutions.

Cybersecurity

- Trend Explanation: As digital transformation accelerates, cybersecurity has become a critical focus for organizations worldwide. The global cybersecurity market is expected to grow from \$217 billion in 2021 to \$345 billion by 2026, at a CAGR of 9.7%.
- Key Companies:
- CrowdStrike Holdings, Inc. (CRWD): CrowdStrike specializes in endpoint security and threat

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6. Recommended Readings

Deal Name: Welsbach Technology Metals Acquisition Corp. Acquisition

- Reading Material: "The Future of Mining in America" by David A. Williams
- Why This Matters: This book explores the critical minerals landscape and the strategic importance of establishing a domestic supply chain. It provides context for Welsbach's \$500 million merger (WTMA) with Evolution Metals LLC, highlighting the geopolitical and economic factors driving the demand for critical minerals in the U.S.

Deal Name: Figure Technology Solutions IPO

- Reading Material: "Blockchain Basics: A Non-Technical Introduction in 25 Steps" by Daniel Drescher
- Why This Matters: This resource offers a clear and concise introduction to blockchain technology, which is fundamental to understanding Figure Technology Solutions' business model. It helps contextualize the significance of the \$500 million IPO (FT Intermediate) and the potential impact of blockchain on the fintech industry, particularly in consumer credit.

7. MACROECONOMIC UPDATE

Key Data Points:

- Fed Funds Rate: Expected to decrease by 25 basis points in September
- U.S. Treasury Yields: Anticipated to decline due to slower economic growth
- Corporate Earnings: Remain firm, supported by recent tax cuts

Main Insights:

- Fed shows increased tolerance for inflation, focusing on downside growth risks
- Anticipation of a quarterly pace of 25 basis-point rate cuts starting in September
- Positive returns expected across fixed income and equities into year-end
- Potential for increased market volatility due to Fed's new stance on inflation

Market Commentary:

- "The Fed looks more focused on managing downside growth risks and, consequently, a bit more

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tolerant on inflation" - Michael Zezas

- "If long bonds sell off, this could put the rally at risk" - Mike Wilson

TMT Sector Relevance:

- Lower interest rates may enhance financing conditions for TMT companies, encouraging M&A activity and capital investments.

- Increased volatility could impact tech stock valuations, particularly growth-oriented companies sensitive to interest rate changes.

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