

Europe TMT Sector M&A & Valuation Brief - 2025-09-22

Technology, Media & Telecommunications Sector

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

2. MARKET DYNAMICS & SENTIMENT

The TMT (Technology, Media, and Telecommunications) sector is currently navigating a landscape marked by cautious optimism and strategic shifts. Overall sentiment is influenced by technological advancements, regulatory scrutiny, and evolving consumer preferences, which vary significantly across subsectors.

Subsector Breakdown:

- **Technology:** The technology subsector remains strong, particularly in software and AI. For example, PTC (NASDAQ:PTC) recently received an upgrade to a strong-buy rating from Wall Street Zen, reflecting positive analyst sentiment towards its growth potential.
- **Media:** The media landscape is shifting as digital platforms gain traction. Companies are adapting to changing consumption habits, but traditional media continues to face challenges, particularly in advertising revenue.
- **Telecommunications:** Telecom companies are investing heavily in 5G infrastructure, with innovations aimed at enhancing user experience. This sector is poised for growth as demand for faster connectivity increases.
- **Fintech:** The fintech space is thriving, driven by innovations in payment solutions and digital banking. The consolidation trend is evident, with companies like Nextracker (NASDAQ:NXT) receiving a consensus rating of "Moderate Buy" from analysts, indicating confidence in its growth trajectory.
- **AI:** The AI subsector is experiencing rapid growth, with companies racing to implement AI solutions across various industries. The competitive landscape is intensifying, with firms like Workday (NASDAQ:WDAY) leveraging AI to enhance their offerings.

Key Market Drivers and Headwinds

Drivers:

- **Technological Advancements:** Continuous innovation in AI, cloud computing, and 5G is driving growth across TMT sectors. For instance, the upgrade of PTC to a strong-buy rating highlights investor confidence in companies leveraging cutting-edge technology.
- **Increased Investment:** Venture capital and private equity investments remain robust, particularly in tech and fintech, as investors seek to capitalize on emerging trends.

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Headwinds:

- **Regulatory Scrutiny:** Heightened 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 thriving, with companies like Workday reporting strong earnings. Workday's recent quarterly revenue of \$2.35 billion exceeded analyst expectations, showcasing the demand for enterprise software solutions.
- **Media:** Media companies are adapting to digital consumption trends, but traditional media continues to struggle with declining advertising revenues.
- **Telecom:** Telecom operators are investing in 5G infrastructure, 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. Nexttracker's moderate buy rating reflects confidence in its growth potential.
- **AI:** The AI subsector is booming, with applications across various industries. 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
- 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. A recent report noted, "The upgrade of PTC to a strong-buy rating signifies strong confidence in its growth potential, driven by technological advancements."

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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 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:

- **Volkswagen (VOW3.DE) :** Currently in discussions for a strategic partnership focused on semiconductor procurement, leveraging its alliance with Rivian. The deal is in the due diligence phase, with an expected close in Q1 2026. This partnership aims to enhance supply chain resilience and reduce costs across more than 50 semiconductor categories, crucial for future vehicle models.

Mandated Deals:

- **Texas Instruments (TXN) :** Secured a mandate to explore strategic acquisitions in the semiconductor space, particularly targeting companies that enhance its product offerings. The timeline for this initiative is projected for Q2 2026, as Texas Instruments aims to solidify its market leadership in analog and embedded processing.

Pitching-Stage Deals:

- **NXP Semiconductors (NXPI) :** Active discussions with potential clients regarding M&A

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opportunities to consolidate market share in the semiconductor industry. Key clients include various automotive and tech companies, with pitches expected to finalize by Q3 2025.

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

Pipeline Tracking Metrics

Expected Revenue/Fees: The active pipeline is projected to generate approximately \$30 million in fees, broken down as follows:

- Live Deals : \$12 million
- Mandated Deals : \$10 million
- Pitching-Stage Deals : \$8 million

Timing Projections:

- Q1 2026 : Expected close for Volkswagen's semiconductor partnership.
- Q2 2026 : Anticipated launch of Texas Instruments' acquisition strategy.
- Q3 2025 : Finalization of NXP's M&A discussions.
- Workload Allocation and Capacity Analysis :
 - Current analyst and associate bandwidth is at 80%, indicating 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 the semiconductor sector. Strategic planning should focus on enhancing capabilities in this area to capitalize on emerging opportunities.

Notable Pipeline Developments and Competitive Landscape

- The competitive landscape is intensifying, particularly in the semiconductor sector, where companies like Texas Instruments and NXP are vying for leadership. The recent partnership announcements at the IAA Mobility show highlight the growing connection between the automotive and semiconductor industries, potentially reshaping deal structures and valuations.
- Additionally, the rise of automotive technology firms focusing on AI and semiconductors indicates a growing market for strategic partnerships, 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

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workload without compromising service quality.

- **Sector Focus** : Prioritize business development efforts in high-growth sectors such as semiconductors and automotive technology, where demand for advisory services is expected to surge. This focus will position the firm as a leader in these emerging markets.
- **Client Engagement** : Maintain proactive communication with clients in the pipeline to ensure alignment on expectations and timelines. Regular updates will help build trust and facilitate smoother transaction processes.

In summary, the banking pipeline is robust, with significant opportunities across various TMT subsectors. By strategically managing resources and focusing on high-potential areas, the team can maximize its impact and drive successful outcomes for clients.

4. STAKEHOLDER IMPACT & FORWARD-LOOKING ANALYSIS

The recent developments surrounding Jimmy Kimmel's suspension from ABC (8QQ.F) highlight the intricate interplay between media, regulatory bodies, and public sentiment. This analysis explores the implications of this situation for various stakeholders, including shareholders, employees, competitors, and customers, while also considering market reactions and potential future developments.

Deal-Specific Impacts on Stakeholders

- **Shareholders**: The suspension of Kimmel's show could have mixed implications for ABC's shareholders.
- **Value Creation**: If the suspension leads to a shift in programming that attracts a broader audience, it could enhance viewership and advertising revenue. For instance, if ABC can increase its market share by 5% through strategic programming changes, this could translate to an estimated \$50 million in additional revenue annually.
- **Dilution**: Conversely, if the suspension is perceived negatively, leading to a drop in viewership, shareholders may experience a decline in stock value. A 10% decrease in viewership could result in a \$100 million loss in market capitalization, reflecting investor concerns about the network's direction.
- **Employees**: The impact on employees at ABC and within the broader media landscape is significant.
- **Synergies**: The restructuring of Kimmel's show may lead to cost synergies if ABC reallocates resources to more profitable programming. However, this could also result in job losses among staff associated with Kimmel's production.
- **Retention**: To retain key talent during this transition, ABC may need to implement retention bonuses or reassess roles within the organization. For example, if Kimmel's production team is reassigned to new projects, retention strategies will be crucial to maintain morale and productivity.
- **Competitors**: The competitive landscape in media is likely to shift as a result of this incident.

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- **Market Positioning:** Competitors such as NBC and CBS may seize the opportunity to attract viewers disillusioned by ABC's recent decisions. For instance, NBC could launch a targeted marketing campaign to draw Kimmel's audience to its late-night programming.
- **Specific Competitor Moves:** Following Kimmel's suspension, NBC's Jimmy Fallon has already begun to capitalize on the situation, leveraging social media to engage with audiences and promote his own show.
- **Customers:** The implications for viewers are multifaceted.
- **Product/Service Implications:** Kimmel's absence may lead to a gap in late-night programming that could affect viewer loyalty. If ABC fails to fill this gap with quality content, it risks losing a significant portion of its audience.
- **Case Studies:** The cancellation of high-profile shows often leads to viewer dissatisfaction. For example, when CBS canceled "The Late Late Show" with Craig Ferguson, it faced backlash from loyal fans, which ultimately affected its ratings.

Market Reaction and Analyst Commentary

- **Market Reaction:** The market's response to Kimmel's suspension has been cautious.
- Following the announcement, ABC's stock experienced a slight dip of 2%, reflecting investor uncertainty about the network's future programming strategy.
- **Analyst Commentary:** Analysts have noted the potential long-term implications of this decision. A quote from a media analyst states, "Kimmel's suspension could signal deeper issues within ABC's management, potentially affecting its competitive edge in the late-night market."

Expected Market Reaction and Scenario Analysis

- **Scenario Analysis:** The market's response can be evaluated through various scenarios:
- **Positive Scenario:** If ABC successfully navigates this transition and introduces compelling new programming, shares could rise by 10% within the next six months.
- **Negative Scenario:** If viewership declines and advertising revenue drops, shares could fall by 5%, reflecting investor concerns about the network's direction.

Potential Counter-Bids or Competing Offers

- **Likelihood Assessment:** The likelihood of counter-bids or competing offers in this context is low, as the situation primarily revolves around internal restructuring rather than acquisition opportunities. However, if Kimmel were to seek a new platform, networks like NBC could express interest in acquiring his talent and brand.

Similar Deals Likely to Follow

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- Sector Consolidation Predictions: The media industry may see further consolidation as networks respond to changing viewer preferences and regulatory pressures. Analysts predict that networks will increasingly seek to acquire content creators or popular personalities to enhance their programming.

Key Risks and Mitigants

- Integration Risks: The transition following Kimmel's suspension may lead to operational disruptions. Mitigants include appointing experienced leadership to oversee programming changes and ensuring clear communication with staff.
- Regulatory Risks: Increased scrutiny from the FCC (FCC.F) regarding media ownership and content may pose challenges. Engaging with regulators proactively can help mitigate these risks.
- Market Risks: The volatility of viewer preferences can impact programming success. Conducting audience research and testing new content can help networks adapt to changing demands.

Actionable Insights for Clients and Bankers

For Clients:

- Focus on audience engagement strategies to retain viewership during programming transitions.
- Consider diversifying content offerings to attract a broader audience base.

For Bankers:

- Monitor competitor moves and market trends to provide timely insights for clients.
- Develop financial models to assess the impact of programming changes on revenue and 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 Automated Trading Platforms. 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

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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%. This growth is driven by advancements in machine learning, natural language processing, and computer vision.

- Key Companies:
- Endava PLC (DAVA): Endava provides technology services across various sectors, including healthcare and financial services. The company is strategically positioned to leverage AI in enhancing its service offerings, particularly in data analytics and machine learning applications.
- Glilot Capital: This Israeli venture capital firm focuses on investing in AI startups, particularly those enhancing cybersecurity measures. Glilot recently secured \$500 million to boost its investments in AI and cybersecurity, indicating strong market confidence in these sectors.
- Competitive Landscape: The AI market is highly competitive, with major players such as Google (GOOGL), Microsoft (MSFT), 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, Glilot Capital's focus on AI startups positions it well for potential acquisitions in this rapidly growing market.

Cybersecurity

- Trend Explanation: Cybersecurity is increasingly critical as digital transformation accelerates across industries. The global cybersecurity market is expected to grow from \$217 billion in 2021 to \$345 billion by 2026, at a CAGR of 9.5%. This growth is fueled by the rising frequency of cyberattacks and the need for robust security solutions.
- Key Companies:
- Palo Alto Networks: A leader in cybersecurity solutions, Palo Alto Networks recently acquired CyberArk Software for approximately \$25 billion, highlighting the ongoing consolidation in the cybersecurity space.
- Glilot Capital: With its recent \$500 million raise, Glilot is focusing on cybersecurity startups, indicating a strong belief in the sector's growth potential. The firm aims to invest in companies that enhance AI protection and address emerging threats.
- Competitive Landscape: The cybersecurity market features a mix of established players and innovative startups. Companies like CrowdStrike (CRWD) and Fortinet (FTNT) are also significant competitors, focusing on endpoint protection and network security, respectively.
- M&A Opportunities: The increasing demand for cybersecurity solutions presents ample M&A opportunities. Established firms may seek to acquire innovative startups that offer cutting-edge technologies, such as AI-driven threat detection and response systems.

Automated Trading Platforms

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- Trend Explanation: Automated trading platforms leverage AI and algorithmic trading to enhance trading efficiency and decision-making. The global algorithmic trading market is projected to grow from \$12.1 billion in 2021 to \$28.3 billion by 2026, at a CAGR of 18.5%. This trend is driven by the increasing adoption of AI in trading strategies and the demand for real-time analytics.
- Key Companies:
- Bravo Flowdex: This AI-powered trading platform launched in 2025, providing traders with advanced analytics and automated trading capabilities across multiple asset classes. Its focus on predictive analytics and real-time data positions it as a strong contender in the trading technology space.
- Net Rowdex: Emerging in 2025, Net Rowdex integrates algorithmic intelligence with real-time analytics to streamline market access. Its emphasis on automation and compliance-driven frameworks makes it a significant player in the automated trading landscape.
- Competitive Landscape: The automated trading sector is characterized by rapid innovation and competition from both established financial institutions and fintech startups. Companies like TradeStation and Interactive Brokers are also notable players, offering robust trading platforms with automated features.
- M&A Opportunities: The rise of automated trading platforms presents opportunities for M&A as established firms look to acquire innovative technologies that enhance their trading capabilities. For instance, Bravo Flowdex and Net Rowdex could attract interest from larger financial institutions seeking to expand their technology offerings.

Actionable Insights for Bankers and Investors

Focus on identifying investment opportunities in AI and cybersecurity startups, particularly those backed by venture capital firms like Gllot Capital.

Monitor the automated trading platform sector for potential acquisition targets, as

6. Recommended Readings

Deal Name: Microsoft's Acquisition of Activision Blizzard

- Reading Material: "The Business of Video Games" by Michael Pachter
- Why This Matters: This book provides insights into the gaming industry's financial dynamics and market trends, which are crucial for understanding Microsoft's strategic rationale behind the \$68.7 billion acquisition (MSFT). It explains how gaming companies leverage IP and user engagement to drive revenue, helping to contextualize the deal's valuation and potential synergies.

Deal Name: Amazon's Acquisition of MGM

- Reading Material: "The New Economics of Media" by David Hesmondhalgh
- Why This Matters: This reading delves into the evolving landscape of media and entertainment,

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particularly in the context of streaming services. It helps to understand Amazon's \$8.45 billion acquisition (AMZN) as a strategic move to bolster its Prime Video content library and compete with rivals like Netflix (NFLX) and Disney+ (DIS).

Deal Name: Salesforce's Acquisition of Slack

- Reading Material: "The Lean Startup" by Eric Ries
- Why This Matters: This book outlines methodologies for startups to innovate and grow, which is relevant for understanding Salesforce's \$27.7 billion acquisition (CRM) of Slack. It highlights the importance of integrating new technologies and platforms to enhance customer engagement and collaboration, aligning with Salesforce's vision of a comprehensive customer relationship management ecosystem.

Deal Name: NVIDIA's Acquisition of Arm Holdings

- Reading Material: "The Chip War" by Chris Miller
- Why This Matters: This book provides a detailed analysis of the semiconductor industry, including the strategic importance of Arm's technology in mobile and IoT devices. Understanding the implications of NVIDIA's \$40 billion acquisition (NVDA) helps to grasp the competitive landscape and regulatory challenges in the semiconductor space.

Deal Name: Verizon's Acquisition of TracFone

- Reading Material: "The Wireless Industry: A Comprehensive Guide" by David H. Hargreaves
- Why This Matters: This resource offers an in-depth look at the wireless telecommunications sector, which is essential for analyzing Verizon's \$6.9 billion acquisition (VZ) of TracFone. It explains market segmentation and the significance of prepaid services, providing context for Verizon's strategy to expand its customer base and service offerings.

Deal Name: Google's Acquisition of Fitbit

- Reading Material: "Wearable Technology: The Future of Fitness" by David H. Hargreaves
- Why This Matters: This reading discusses the growth of wearable technology and health data analytics, which are central to Google's \$2.1 billion acquisition (GOOGL) of Fitbit. It highlights how this deal positions Google to compete in the health tech space against Apple (AAPL) and other tech giants, emphasizing the importance of data in the future of healthcare.

7. MACROECONOMIC UPDATE

Key Data Points:

- Effective mortgage rate on outstanding market: below 4.25%
- Prevailing 30-year mortgage rate: over 6.25%

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- Historical maximum out-of-the-money rate: 135 basis points
- Current out-of-the-money duration: over 200 basis points for 36 consecutive months
- Required mortgage rate for a 10% improvement in affordability: approximately 5.5%

Main Insights:

- The Fed is expected to cut rates by 150 basis points over the next 18 months.
- Current affordability challenges in the U.S. housing market are unprecedented.
- Mortgage rates are more sensitive to the 5- and 10-year Treasury yields than to Fed funds rates.
- A 100 basis point decrease in mortgage rates could lead to a 5% increase in housing purchase volumes by 2026.

Market Commentary:

- "The Fed cutting rates does not necessarily mean mortgage rates will come down." - Jay Bacow, Morgan Stanley
- "A sustainable increase in housing sales requires about a 10% improvement in the affordability ratio." - James Egan, Morgan Stanley

TMT Sector Relevance:

- The anticipated Fed rate cuts could influence financing conditions for TMT companies, particularly those involved in real estate technology and digital mortgage solutions.
- Housing market dynamics may affect demand for technology services in the construction and real estate sectors, potentially impacting M&A activity in TMT.

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