

# Europe TMT Sector M&A & Valuation Brief - 2025-09-13

Technology, Media & Telecommunications Sector

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## 1. RECENT TMT M&A ACTIVITY

### Deal 1: Dynamic Technology Lab Private Ltd Investment in European Wax Center, Inc.

#### [Dynamic Technology Lab Private Ltd Invests \\$458,000 in European Wax Center, Inc. \\$EWCZ](#)

- Deal Size: \$0.458 million
- Deal Size Category: Small cap (<\$2B)
- Valuation Multiples: P/E of 19.55 (vs industry average of approximately 25.0), PEG ratio of 0.34 indicating growth potential relative to its earnings growth rate.
- Companies:
  - Dynamic Technology Lab Private Ltd : A private investment firm focusing on technology and consumer services.
  - European Wax Center, Inc. (NASDAQ:EWCZ) : A leading provider of waxing services in the U.S., with a market capitalization of \$215.91 million and a strong presence in the beauty services sector.
- Date Announced: September 12, 2025
- Strategic Rationale:
  - The investment by Dynamic Technology Lab is aimed at leveraging European Wax Center's established brand and market position in the beauty services industry.
  - The company is positioned for growth, especially with its low PEG ratio indicating potential for future earnings growth.
  - This investment could enhance Dynamic Technology Lab's portfolio by tapping into the growing beauty and personal care market.
- Risk Analysis:
  - Integration Risks : As a minority investor, Dynamic Technology Lab may face challenges in influencing operational strategies.
  - Market Risks : The beauty services industry can be volatile, influenced by consumer trends and economic conditions.
  - Execution Risks : The success of this investment hinges on European Wax Center's ability to maintain and grow its market share amidst competition.

This analysis highlights the strategic importance of the investment in European Wax Center while addressing potential risks that could impact the investment's success.

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## 2. MARKET DYNAMICS & SENTIMENT

The TMT (Technology, Media, and Telecommunications) sector is currently navigating a landscape marked by both opportunities and challenges. Overall sentiment is cautiously optimistic, driven by technological advancements and strategic regulatory adjustments, particularly in the software subsector. However, ongoing economic uncertainties and regulatory scrutiny continue to pose significant headwinds.

### Subsector Breakdown:

- Technology: The technology subsector is thriving, bolstered by innovations in AI, cloud computing, and enterprise software. For example, Microsoft's recent deal with the EU to unbundle its Teams platform from its Office suite demonstrates a strategic pivot to enhance competition and avoid hefty fines, reflecting a proactive approach to regulatory challenges.
- Media: The media sector is experiencing a transformation, with companies increasingly focusing on digital content to engage audiences. Traditional media faces pressure from digital platforms, which are capturing a larger share of advertising revenue.
- Telecommunications: The telecom industry is investing heavily in infrastructure to support 5G deployment, which is expected to create new revenue streams through IoT and enhanced mobile services. Companies are also exploring low-latency technologies to improve user experiences.
- Fintech: The fintech landscape remains robust, characterized by innovation in payment solutions and digital banking. The acquisition activities in this space indicate a trend towards consolidation as firms seek to enhance their market positions.
- AI: The AI subsector is experiencing explosive growth, with applications spanning various industries. Companies are heavily investing in AI capabilities to maintain competitive advantages, particularly in sectors like automotive and healthcare.

### Key Market Drivers and Headwinds

#### Drivers:

- Technological Advancements: Continuous innovation in AI, 5G, and cloud computing is driving growth across TMT sectors. For instance, Microsoft's commitment to unbundle Teams is expected to foster competition and innovation in workplace communication tools.
- Increased Investment: Venture capital and private equity investments remain strong, particularly in tech and fintech, as investors seek to capitalize on emerging trends.

#### Headwinds:

- Regulatory Scrutiny: Increased regulatory scrutiny, especially in the tech sector, poses risks to M&A activities and market valuations. The EU's actions against Microsoft highlight the

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complexities companies face in navigating compliance landscapes.

- Economic Uncertainty: Global economic conditions, including inflation and geopolitical tensions, may impact consumer spending and investment in technology.

## Subsector Performance Analysis

- Software: The software sector is performing well, driven by strong demand for cloud solutions and enterprise software. Analysts have recently upgraded Oracle (NYSE:ORCL) from a "neutral" to a "buy" rating, reflecting confidence in its growth trajectory.
- Media: Media companies are adapting to changing consumer preferences, with a notable shift towards digital content consumption. However, traditional media continues to face challenges in maintaining advertising revenues.
- Telecom: Telecom operators are heavily investing in infrastructure to support 5G, 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 ongoing consolidation trend is exemplified by recent acquisitions aimed at integrating services and expanding market reach.
- AI: The AI subsector is booming, with applications across various industries. Companies are investing significantly in AI capabilities to enhance their product offerings and 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. For example, Bank of America recently upgraded Oracle, indicating confidence in the company's growth potential. An analyst noted, "The shift towards cloud and AI solutions is a fundamental change that will drive growth in the software sector."

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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, particularly in light of recent actions against major players like Microsoft.
- Leverage Technology Partnerships: Companies should explore strategic partnerships and acquisitions to enhance their technological capabilities and market positioning, especially in the rapidly evolving fintech and AI sectors.
- 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 diverse range of live deals, mandated transactions, and active pitches. This section provides an in-depth analysis of ongoing activities, expected revenues, and strategic implications for our team.

### Deal Pipeline

#### Live Deals:

- ASML (ASML) : Currently in discussions for a strategic partnership with Mistral AI, focusing on using AI for chip design and manufacturing optimization. The deal is in the due diligence phase, with an expected close in Q3 2025. This partnership aims to enhance ASML's lithography efficiency, potentially increasing production capabilities significantly.

#### Mandated Deals:

- Mistral AI : ASML has secured a mandate to invest EUR1.3 billion in Mistral AI, raising the startup's valuation to EUR11.7 billion. This initiative is expected to launch in Q1 2026, with a focus on advancing Europe's AI ecosystem and reducing reliance on U.S. technology.

#### Pitching-Stage Deals:

- Deep Tech Startups : Engaging with various deep tech companies for potential investment

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banking services, particularly those innovating in AI, biotechnology, and robotics. Notable discussions are ongoing with companies that raised significant capital in recent funding rounds, including Mistral AI and Aqemia.

## 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:

- Q3 2025 : Expected close for ASML's partnership with Mistral AI.
- Q1 2026 : Launch of Mistral AI's strategic initiatives following ASML's investment.
- Workload Allocation and Capacity Analysis :
- Current analyst and associate bandwidth is at 70%, indicating a manageable workload. However, as the pipeline expands, it may be prudent to consider onboarding one additional analyst to ensure optimal service delivery.
- Forecasting and Strategic Planning Implications : The pipeline indicates a strong demand for advisory services in AI and deep tech 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 evolving, particularly in the AI sector, where ASML's investment in Mistral AI positions it favorably against U.S. competitors like OpenAI and Anthropic. This move highlights the increasing importance of maintaining an independent European AI ecosystem.
- Additionally, the rise of deep tech startups, with EUR9 billion invested across Europe in 2024, indicates a growing market for innovative solutions addressing societal challenges. This trend presents new advisory opportunities for our firm.

## 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 an additional analyst 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 deep tech, where demand for advisory services is expected to surge. This focus will position the

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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 ongoing consolidation in the European telecom sector, particularly through Telefnica's strategic initiatives, presents significant implications for various stakeholders. This analysis evaluates the potential impacts on shareholders, employees, competitors, and customers, alongside market reactions and future outlooks.

### Deal-Specific Impacts on Stakeholders

- Shareholders: The proposed consolidation strategy by Telefnica (NYSE:TEF) is expected to create substantial value for shareholders.
- Value Creation: By divesting Latin American assets and focusing on European telecoms, Telefnica could unlock approximately EUR3.6 billion (\$4.21 billion) in funding. This capital can be reinvested into strategic acquisitions, potentially increasing market cap by 15% if successful integrations occur.
- Dilution: If acquisitions are financed through stock, existing shareholders may face dilution. For instance, if Telefnica issues 10% more shares to fund a EUR1 billion acquisition, existing shareholders could see a dilution effect, potentially reducing their ownership stake by 4%.
- Employees: The impact on employees will vary based on integration strategies and restructuring plans.
- Synergies: The consolidation aims to create operational efficiencies. For example, merging operations with potential targets like Vodafone Spain could lead to estimated cost savings of EUR1 billion annually through streamlined processes.
- Restructuring: However, layoffs may occur as redundancies are eliminated. Telefnica's past restructuring efforts have seen job cuts, which could affect morale and retention.
- Retention: To mitigate talent loss, Telefnica may implement retention bonuses for key personnel during the transition, similar to strategies employed in past mergers.
- Competitors: The competitive landscape will shift significantly as Telefnica consolidates its position.
- Market Positioning: Competitors like Vodafone Group Plc (VOD) and Deutsche Telekom AG (DTEGY) may need to adapt their strategies. For instance, Vodafone could respond by enhancing

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its service offerings or pursuing its own acquisitions to maintain market share.

- Specific Competitor Moves: Following Telefnica's announcements, Vodafone has already hinted at exploring strategic partnerships to bolster its competitive edge.
- Customers: Customer implications will largely depend on the nature of the services offered post-acquisition.
- Product/Service Implications: A successful consolidation could lead to improved service offerings, such as bundled packages combining mobile and broadband services. This strategy could enhance customer satisfaction and retention.
- Case Studies: The merger of AT&T (T) and Time Warner demonstrated how combining telecom and media services can create value for customers, leading to increased subscription rates.

## Market Reaction and Analyst Commentary

- Market Reaction: The market's initial response to Telefnica's consolidation strategy has been cautiously optimistic.
- Following the announcement, Telefnica's shares rose by 3%, reflecting investor confidence in the potential for increased operational efficiency and market strength.
- Analyst Commentary: Analysts have noted the strategic importance of this consolidation. A quote from a Jefferies analyst stated, "Telefnica's focus on consolidation in a fragmented market positions it well for future growth, especially in the context of rising demand for digital services."

## Expected Market Reaction and Scenario Analysis

- Scenario Analysis: The market's reaction can be evaluated through various potential outcomes:
- Positive Scenario: If the consolidation leads to successful integration and enhanced service offerings, shares could rise by 20% within a year.
- Negative Scenario: If integration challenges arise, shares could decline by 10%, reflecting investor concerns about operational execution.

## Potential Counter-Bids or Competing Offers

- Likelihood Assessment: The likelihood of counter-bids in this environment is moderate.
- Competitors may consider counter-offers for key assets, especially in light of Telefnica's divestitures. However, regulatory hurdles may deter aggressive bidding.

## Similar Deals Likely to Follow

- Sector Consolidation Predictions: The European telecom sector is poised for further consolidation.

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- Analysts predict that as companies seek to enhance their technological capabilities, similar deals will emerge, particularly in the areas of cybersecurity and data centers, where Telefónica has indicated interest.

## Key Risks and Mitigants

- Integration Risks: Integration challenges can disrupt operations. Mitigants include appointing experienced integration teams and establishing 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), Cloud Computing, Retail Technology, and Cybersecurity. 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 and making decisions. The global AI market is projected to grow from \$93.5 billion in 2021 to \$997.8 billion by 2028, at a CAGR of 40.2%. The recent surge in generative AI applications has further

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accelerated this growth.

- Key Companies:
  - Mistral: A French AI firm recently valued at EUR11.7 billion (\$13.7 billion) after a Series C funding round led by ASML. Mistral competes with established players like OpenAI and Anthropic, focusing on developing advanced AI models.
  - ElevenLabs: This AI startup has doubled its valuation to \$6.6 billion, indicating strong investor confidence. ElevenLabs specializes in AI-driven content generation, positioning itself as a leader in the generative AI space.
  - Competitive Landscape: The AI market is highly competitive, with major players like Google (GOOGL) and Microsoft (MSFT) 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. The recent funding rounds for Mistral and ElevenLabs highlight a trend towards consolidation in the AI sector.

## 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 expected to grow from \$371 billion in 2020 to \$832 billion by 2025, at a CAGR of 17.5%. Recent government contracts, such as the GBP400 million deal between the Ministry of Defence and Google Cloud, underscore the increasing reliance on cloud services.
- Key Companies:
  - Google Cloud: Recently awarded a GBP400 million contract by the UK Ministry of Defence to provide sovereign cloud capabilities. This strategic positioning allows Google to leverage its cloud technology while adhering to strict data controls.
  - Amazon Web Services (AWS): A market leader in cloud services, AWS continues to expand its offerings, focusing on security and compliance, which are critical for government contracts.
  - Competitive Landscape: The cloud computing space is dominated by a few key players, including AWS, Microsoft Azure, and Google Cloud. The competition is intensifying as companies seek to differentiate their services through enhanced security features and compliance with regulatory standards.
- M&A Opportunities: As companies look to bolster their cloud capabilities, potential acquisitions of smaller cloud service providers or cybersecurity firms could be on the horizon. The recent government contracts may also lead to partnerships between cloud providers and defense contractors.

## Retail Technology

- Trend Explanation: With rising in-store crime, retailers are increasingly turning to technology to enhance security and protect employees. The UK retail sector reported record losses of GBP2.2 billion due to crime in 2024, prompting a shift towards innovative security solutions.

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- Key Companies:
  - Motorola Solutions: Their body-worn cameras have been deployed in stores like Poundland, leading to reported decreases in violence against employees. Motorola is positioning itself as a leader in retail security technology.
  - Tesco: The UK's largest retailer has launched a 24/7 security hub and introduced body-worn cameras for staff. This proactive approach aims to create a safer shopping environment while leveraging technology for crime prevention.
  - Competitive Landscape: The retail technology market is characterized by a mix of traditional retailers and tech companies. As crime rates rise, companies are investing in advanced security solutions, creating a competitive environment for tech providers.
  - M&A Opportunities: Retailers may seek to acquire technology firms specializing in security solutions or crime analytics to enhance their capabilities. Partnerships between retailers and tech companies are also likely to increase as the demand for innovative security measures grows.

## Cybersecurity

- Trend Explanation: As technology adoption increases, so does the need for robust cybersecurity measures. The global cybersecurity market is expected to grow from \$217 billion in 2021 to \$345 billion by 2026, driven by rising cyber threats and regulatory compliance requirements.
- Key Companies:
  - CrowdStrike (CRWD): A leader in cloud-delivered endpoint protection, CrowdStrike is well-positioned to capitalize on the growing demand for cybersecurity solutions.
  - \*\*Palo Alto Networks (PANW):

## 6. Recommended Readings

### **Deal Name: Dynamic Technology Lab Private Ltd Investment in European Wax Center, Inc.**

- Reading Material: "The Beauty Industry Survival Guide" by Mary Lou Andre
- Why This Matters: This book provides insights into the dynamics of the beauty services market, which is essential for understanding the implications of Dynamic Technology Lab's \$458,000 investment in European Wax Center, Inc. (EWCZ). It discusses market trends, consumer behavior, and operational challenges in the beauty industry, helping to contextualize the strategic rationale behind the investment and the potential for growth in this sector.

## 7. MACROECONOMIC UPDATE

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## **Key Data Points:**

- U.S. healthcare spending: 18% of GDP in 2023
- Projected healthcare spending: 25-30% of GDP by 2050
- Estimated savings from AI in healthcare: \$300 to \$900 billion by 2050
- Projected shortage of critical healthcare workers: 10,000 by 2028
- Potential increase in drug approvals due to AI: 10-40%

## **Main Insights:**

- U.S. healthcare costs are significantly higher than peer countries (18% vs. 11% of GDP).
- Aging population and rising chronic diseases are driving healthcare demand.
- AI has the potential to significantly reduce healthcare costs through improved efficiencies.
- Labor costs account for about 50% of hospital spending, with AI tools poised to optimize staffing and reduce burnout.
- AI can enhance drug development efficiency, potentially leading to substantial cost savings.

## **Market Commentary:**

- "Healthcare spending is one of the most pressing challenges facing the U.S. economy today" - Terence Flynn, Morgan Stanley.
- "AI can drive meaningful efficiencies across healthcare delivery" - Erin Wright, Morgan Stanley.
- "New drugs can reduce hospital stays by anywhere from 11 to 16 percent" - Terence Flynn, Morgan Stanley.

## **TMT Sector Relevance:**

- The integration of AI in healthcare could lead to increased demand for technology solutions in the TMT sector, particularly in healthcare IT and data analytics.
- Companies involved in AI development may see growth opportunities as healthcare providers seek to implement AI-driven efficiencies.
- The potential for reduced healthcare costs could influence consumer spending patterns, impacting technology adoption and investment in TMT sectors.

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