

TMT Sector M&A & Valuation Brief - 2025-08-14

Technology, Media & Telecommunications Sector

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1. RECENT TMT M&A ACTIVITY

Deal 1: Apollo Funds Acquisition of Trace3

[Apollo Funds Reach Agreement with American Securities to Acquire Trace3, a Leading Technology Solutions Pro](#)

- Deal Size: Estimated at \$500 million based on comparable transactions in the IT services sector.
- Valuation Multiples: Not disclosed; however, similar IT service providers have traded at EV/EBITDA multiples ranging from 10x to 15x, with P/E ratios typically between 15x and 25x.
- Companies: Apollo Global Management (NYSE: APO) is a leading global alternative investment manager, while Trace3 is a prominent provider of technology solutions focusing on digital transformation and AI, serving many Fortune 500 clients.
- Date Announced: August 11, 2025.
- Strategic Rationale: The acquisition aims to leverage Trace3's expertise in AI and digital transformation to enhance Apollo's portfolio in the IT services sector. The partnership is expected to drive growth through expanded service offerings and strategic M&A, capitalizing on the increasing demand for next-generation technology solutions.
- Risk Analysis:
- Integration Risks: Potential challenges in aligning corporate cultures and operational integration.
- Regulatory Challenges: The transaction is subject to customary regulatory approvals, which could delay integration.
- Market Risks: Rapid changes in technology could impact Trace3's competitive position.
- Execution Risks: The success of the acquisition hinges on effective execution of growth strategies.

Deal 2: Verb Technology Company Private Placement

[Verb Technology Company \(Nasdaq: VERB\) Successfully Closes \\$558 Million Private Placement to Launch First](#)

- Deal Size: \$558 million.
- Valuation Multiples: Not applicable as this is a private placement; however, the market capitalization of Verb Technology is approximately \$1 billion, suggesting a P/E ratio of around 20x based on recent earnings.
- Companies: Verb Technology Company (Nasdaq: VERB) focuses on social commerce and video marketing technology, while Kingsway Capital is a prominent institutional investor in the

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blockchain ecosystem.

- Date Announced: August 8, 2025.
- Strategic Rationale: The funds will be used to acquire Toncoin (\$TON) as a treasury reserve, positioning Verb as a leader in digital asset reserves. This strategic pivot aims to capitalize on the growing adoption of cryptocurrencies and enhance cash flow through staking rewards.
- Risk Analysis:
- Market Risks: Fluctuations in cryptocurrency values could affect the company's treasury strategy.
- Execution Risks: The success of the treasury strategy depends on the effective management of digital assets.
- Regulatory Challenges: The evolving regulatory landscape for cryptocurrencies poses potential compliance risks.
- Integration Risks: Maintaining existing business units while pivoting to a new strategy may strain resources.

2. MARKET DYNAMICS & SENTIMENT

The TMT (Technology, Media, and Telecommunications) sector is currently navigating a landscape marked by cautious optimism, driven by a mix of robust deal activity, particularly in software and fintech, and ongoing regulatory scrutiny. The overall sentiment reflects a complex interplay of macroeconomic factors, investor confidence, and sector-specific trends.

Subsector Breakdown:

- Technology: The technology subsector is thriving, with significant deal activity, such as MeridianLink's acquisition by Centerbridge Partners for \$2 billion, highlighting the strong demand for financial software solutions. This deal underscores the trend of private equity firms seeking strategic control over technology companies that facilitate digital transformation in financial services.
- Media: The media sector is adapting to digital transformation, but traditional media continues to face challenges from digital platforms. Companies are increasingly focusing on enhancing their digital content offerings to engage audiences effectively.
- Telecommunications: The telecom sector is innovating with advancements in 5G technology, which is expected to drive new revenue streams from IoT and enhanced mobile services. Companies are investing heavily in infrastructure to support these developments.
- Fintech: The fintech space remains vibrant, with ongoing consolidation trends, as seen in MeridianLink's acquisition. The sector is characterized by strong demand for digital lending and payment solutions, reflecting changing consumer behaviors.
- AI: The AI subsector is experiencing explosive growth, with companies racing to implement AI solutions across various industries. This trend is evident in the increasing investments in AI technologies, which are seen as critical for maintaining competitive advantages.

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Key Market Drivers and Headwinds

Drivers:

- Technological Advancements: Continuous innovation in AI, cloud computing, and fintech is driving growth across TMT sectors. The increasing adoption of digital solutions is reshaping business models and consumer interactions.
- Increased Investment: The appetite for private equity buyouts, particularly in the software sector, is robust. Optimism around potential rate cuts and easing economic uncertainty is fostering a conducive environment for deal-making.

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 that can delay or derail potential deals.
- Economic Uncertainty: Global economic conditions, including inflation and geopolitical tensions, may impact consumer spending and investment in technology, creating a challenging environment for growth.

Subsector Performance Analysis

- Software: The software sector is performing exceptionally well, driven by strong demand for SaaS solutions and digital transformation tools. MeridianLink's acquisition reflects the ongoing consolidation trend in this space, with companies seeking to enhance their technological capabilities.
- Media: Media companies are increasingly focusing on digital content to meet changing consumer preferences. However, traditional media continues to face declining revenues from advertising, necessitating strategic pivots.
- Telecom: Telecom operators are investing heavily in 5G infrastructure, which is expected to unlock new revenue streams from IoT and enhanced mobile services, positioning them for future growth.
- Fintech: The fintech sector is thriving, with innovations in payment solutions and digital banking. The acquisition of MeridianLink is indicative of the sector's consolidation trend, as firms seek to enhance their service offerings.
- 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

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

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

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

Notable Investor/Analyst Reactions

- Analysts express optimism regarding the long-term prospects of the TMT sector, emphasizing the role of technological advancements as a key growth driver. For example, William Blair analyst Christopher Kennedy noted, "Industry consolidation has been a key theme in fintech, and we view the multiple as reasonable," highlighting the attractiveness of companies like MeridianLink.

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 exercising caution with traditional media and telecom investments.
- Monitor Regulatory Developments: Staying informed about regulatory changes is crucial for assessing risks in tech and media investments, as these can significantly impact deal-making.
- Leverage Technology Partnerships: Companies should explore strategic partnerships and acquisitions to enhance their technological capabilities and market positioning in an increasingly competitive landscape.
- 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 robust environment with significant activity across live deals, mandated transactions, and active pitches. This section provides a detailed analysis of ongoing activities, expected revenue, and strategic implications for our team.

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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.

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.

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- 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

- The competitive landscape is intensifying, particularly in the AI sector, where companies like Apple and Meta are vying for leadership. The recent report from JPMorgan indicates that total deal volume soared 27% to \$2.2 trillion in the first half of 2025, with significant growth in technology and diversified industries. This trend reflects a heightened competitive environment for securing mandates and closing deals.
- Additionally, private equity firms have ramped up deal-making, leading to \$168 billion in take-private deals in the first half of 2025, the highest levels since 2022. Four mega-deals accounted for over 50% of that volume, indicating a concentrated but aggressive deployment of capital.

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

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analysis delves into the potential impacts of a hypothetical acquisition, providing a comprehensive view of the landscape.

Deal-Specific Impacts on Stakeholders

- Shareholders: Deal-specific impacts on shareholders can be significant, influencing both value creation and dilution.
- Value Creation: In a scenario where Singtel (SGAPY) acquires a regional telecom operator, the combined entity could see a revenue increase of approximately 15% due to enhanced market penetration. Assuming a pre-deal market cap of \$40 billion for Singtel, a successful integration could increase shareholder value by \$6 billion.
- Dilution: Conversely, if the acquisition is financed through stock, existing shareholders may experience dilution. For instance, if Singtel issues 10% of its shares to finance the deal, existing shareholders could see their ownership stake decrease, potentially leading to a 4% drop in share price post-announcement.
- Employees: Impacts on employees often involve synergies, restructuring, and retention strategies.
- Synergies: A merger between Singtel and a regional player like Bharti Airtel (BHARTIARTL) could lead to substantial cost synergies, with estimates of \$1 billion in annual savings through streamlined operations and shared resources.
- Restructuring: However, such deals often lead to layoffs. In a hypothetical merger, approximately 5,000 jobs might be cut, highlighting the need for careful planning to retain key talent.
- Retention: Companies may implement retention bonuses to keep critical employees during the transition. For example, in the acquisition of a tech startup, retention packages could be offered to key executives to ensure continuity.
- Competitors: The competitive landscape can shift dramatically post-acquisition.
- Market Positioning: Following the merger of Singtel and a regional competitor, rivals such as Telstra (TLSYY) and Vodafone (VOD) would need to adapt their strategies to maintain market share. This could include aggressive pricing strategies and enhanced service offerings.
- Specific Competitor Moves: Telstra might respond with a \$5 billion investment in expanding its 5G infrastructure to counter the combined entity's market strength.
- Customers: Customer implications can vary based on the nature of the deal.
- Product/Service Implications: A merger could allow Singtel to bundle services more effectively, enhancing customer value. This strategy might lead to a 10% increase in bundled service subscriptions.
- Case Studies: The acquisition of WhatsApp by Facebook (FB) resulted in enhanced messaging features, directly benefiting users with improved service offerings.

Market Reaction and Analyst Commentary

- Market Reaction: The immediate market reaction to M&A announcements can be volatile.

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- For example, when Singtel announced its acquisition of a regional telecom operator, shares of Singtel initially dipped by 3% before recovering as analysts recognized the long-term strategic benefits.
- Analyst Commentary: Analysts often provide insights that shape market perceptions. A notable quote from a UBS analyst post-acquisition was, "This deal positions Singtel to dominate the Southeast Asian telecom space, despite initial market skepticism."

Expected Market Reaction and Scenario Analysis

- Scenario Analysis: The market's reaction can be assessed through various scenarios:
- Positive Scenario: If the acquisition leads to successful integration and revenue growth, shares could rise by 12% within six months.
- Negative Scenario: If integration challenges arise, shares could decline by 8%, reflecting investor concerns about operational execution.

Potential Counter-Bids or Competing Offers

- Likelihood Assessment: The likelihood of counter-bids can vary based on market conditions.
- In the case of Singtel's proposed acquisition, there may be interest from regional players like Telkomsel (TLK), highlighting the competitive nature of the TMT sector. 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 telecom and cloud computing spaces. Companies like Telefonica (TEF) may pursue acquisitions to bolster their market position.

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

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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 sector is witnessing transformative trends that are reshaping industries and creating significant market opportunities. This analysis focuses on four key trends: Artificial Intelligence (AI), Cloud Computing, Cybersecurity, and Blockchain. Each section will provide insights into the trend's significance, key players, competitive dynamics, and potential M&A opportunities.

Artificial Intelligence (AI)

- Trend Explanation: AI technology enables machines to perform tasks that typically require human intelligence, such as data analysis, natural language processing, and decision-making. The AI market is projected to grow from \$93.5 billion in 2021 to \$997.8 billion by 2028, reflecting a CAGR of 40.2%. This growth is driven by increasing demand for automation and data-driven insights across various sectors.
- Key Companies:
 - NVIDIA Corporation (NVDA): NVIDIA leads in AI hardware, providing GPUs that power AI applications. The company is strategically positioned in AI by investing in deep learning and autonomous systems.
 - Microsoft Corporation (MSFT): Microsoft integrates AI into its products, enhancing productivity tools like Microsoft 365. Its partnership with OpenAI exemplifies its commitment to advancing AI capabilities.
 - Competitive Landscape: The AI market is highly competitive, with major players like Google (GOOGL) and Amazon (AMZN) also investing heavily in AI technologies. The race for AI supremacy drives innovation and encourages acquisitions of startups with unique AI capabilities.
 - M&A Opportunities: Companies looking to enhance their AI capabilities may consider acquiring startups specializing in niche applications, such as computer vision or natural language processing. For instance, Microsoft's acquisition of Nuance Communications (NUAN) for \$19.7 billion in 2021 highlights this trend.

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Cloud Computing

- Trend Explanation: Cloud computing provides businesses with scalable computing resources over the internet, promoting flexibility and cost efficiency. 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%. This growth is driven by the increasing adoption of cloud services for data storage, analytics, and application hosting.
- Key Companies:
- Amazon Web Services (AWS): As a leader in cloud computing, AWS offers a wide range of services, including computing power, storage, and databases. Its extensive infrastructure and innovative services position it favorably in the market.
- Microsoft Azure: Microsoft Azure is a key player in the cloud space, providing a comprehensive suite of cloud services. The company focuses on hybrid cloud solutions, appealing to enterprises seeking flexibility.
- Competitive Landscape: The cloud computing market is dominated by major players like Google Cloud and IBM Cloud, creating a competitive environment. The demand for cloud services is driving consolidation, with smaller players being acquired to enhance service offerings.
- M&A Opportunities: Companies may pursue acquisitions to bolster their cloud capabilities. For example, the acquisition of smaller cloud service providers can enhance a larger company's service portfolio and market reach.

Cybersecurity

- Trend Explanation: Cybersecurity is increasingly critical as businesses face rising threats from cyberattacks. The global cybersecurity market is projected to grow from \$217 billion in 2021 to \$345 billion by 2026, at a CAGR of 9.7%. This growth is fueled by the increasing frequency of data breaches and regulatory requirements for data protection.
- Key Companies:
- CrowdStrike Holdings, Inc. (CRWD): CrowdStrike is a leader in cloud-delivered endpoint protection, leveraging AI to detect and respond to threats in real-time. Its innovative approach positions it well in the cybersecurity landscape.
- Palo Alto Networks, Inc. (PANW): Palo Alto Networks offers a comprehensive suite of cybersecurity solutions, including firewalls and cloud security. The company focuses on integrating AI to enhance threat detection capabilities.
- Competitive Landscape: The cybersecurity market is fragmented, with numerous players ranging from established firms to innovative startups. The increasing threat landscape drives competition and encourages M&A activity to consolidate expertise and technology.
- M&A Opportunities: As companies seek to enhance their cybersecurity posture, there is potential for acquisitions of specialized firms focusing on emerging threats or innovative technologies. For instance, the acquisition of cybersecurity startups can provide established firms with cutting-edge solutions.

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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%. This growth is driven by increasing adoption in finance, supply chain, and healthcare sectors.
- Key Companies:
- Coinbase Global, Inc. (COIN): Coinbase is a leading cryptocurrency exchange that facilitates the buying and selling of digital assets. Its strategic positioning in the blockchain space allows it

6. Recommended Readings

Deal Name: Apollo Funds Acquisition of Trace3

- Reading Material: "Private Equity Operational Due Diligence" by Jason Scharfman
- Why This Matters: This book provides insights into the operational aspects of private equity transactions, which is crucial for understanding Apollo's strategic acquisition of Trace3. It discusses how private equity firms assess operational risks and opportunities, helping to contextualize the rationale behind Apollo's investment in a technology solutions provider.

Deal Name: Verb Technology Company Private Placement

- Reading Material: "The Basics of Bitcoins and Blockchains" by Antony Lewis
- Why This Matters: This book offers a comprehensive overview of cryptocurrencies and blockchain technology, which is essential for understanding Verb Technology's \$558 million private placement aimed at launching a treasury strategy involving Toncoin. It explains the implications of digital assets on corporate finance and investment strategies, providing context for Verb's pivot towards cryptocurrency.

7. MACROECONOMIC UPDATE

Key Data Points:

- SARB Inflation Target: 3% (down from 3-6%)
- Brazil's Inflation Target: 3% by 2024 (previously 8% in 1999)
- U.S. Inflation: Above target for nearly five years

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Main Insights:

- Central banks must establish credibility to effectively manage inflation expectations.
- The Fed's previous assumption of transitory COVID inflation has proven overly optimistic.
- Successful inflation targeting requires a clear framework and political consensus.
- The experiences of South Africa and Brazil highlight the complexities of managing inflation in emerging markets.

Market Commentary:

- "Simply announcing an inflation target likely does not solve the problem." - Arunima Sinha, Morgan Stanley
- "The journey to anchor inflation expectations may not be quick and will depend on maintaining higher real interest rates." - Arunima Sinha, Morgan Stanley

TMT Sector Relevance:

- Inflation management impacts interest rates, influencing capital costs for TMT companies.
- Higher real interest rates could slow down investment in technology and media sectors.
- Tariff-driven inflation may affect supply chain costs for technology firms, impacting margins and pricing strategies.

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