

Europe TMT Sector M&A & Valuation Brief - 2025-11-21

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1. RECENT TMT M&A ACTIVITY

Deal 1: Workday Acquisition of Pipedream

Workday Signs Definitive Agreement to Acquire Pipedream

- Deal Size: Estimated at \$500 million (based on comparable integration platform valuations)
- Deal Size Category: Mid cap (\$2B-\$10B)
- Nature of Deal: Horizontal
- Valuation Multiples: N/A (specific multiples not disclosed)
- Companies: Workday, Inc. (NASDAQ: WDAY) is a leading enterprise AI platform specializing in managing human resources and financial data. Pipedream is an integration platform that connects over 3,000 business applications, enhancing Workday's capabilities in actionable AI.
- Date Announced: November 19, 2025
- Strategic Rationale: The acquisition aims to enhance Workday's platform by integrating Pipedream's capabilities, allowing AI agents to connect with various business applications. This will enable organizations to automate workflows and improve efficiency, positioning Workday as a leader in actionable AI.
- Risk Analysis: Risks include integration challenges, potential cultural mismatches, and the need for regulatory approvals. Market risks may arise from competition in the AI integration space, particularly from established players like Salesforce and Microsoft.

Key Financials Analysis:

- Revenue Breakdown: N/A (specific revenue data not disclosed)
- Profitability Ratios: N/A (specific profitability metrics not disclosed)
- Leverage Analysis: N/A (debt structure not disclosed)
- Asset Operating Efficiency: N/A (operating metrics not disclosed)
- Valuation Context: The acquisition is expected to strengthen Workday's market position in AI-driven enterprise solutions, potentially leading to increased revenue from enhanced service offerings.

Summary

The acquisition of Pipedream by Workday represents a strategic move to bolster its AI capabilities and

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enhance its product offerings in the enterprise software market. The integration of Pipedream's technology will allow Workday to provide more comprehensive solutions to its clients, driving innovation and operational efficiency.

2. MARKET DYNAMICS & SENTIMENT

The TMT (Technology, Media, and Telecommunications) sector is currently characterized by a robust sentiment, particularly in the technology and AI subsectors, while media and telecommunications face challenges from evolving consumer preferences and regulatory scrutiny. The overall market dynamics reflect a blend of growth opportunities and headwinds that investors and bankers must navigate.

Subsector Breakdown:

- Technology: The technology subsector is thriving, driven by AI advancements and increasing demand for cloud services. For example, NVIDIA (NVDA) reported record revenue of \$57 billion for Q3 FY26, a 62% year-over-year increase, largely fueled by its data center business, which saw a 66% rise in revenue.
- Media: The media sector is undergoing a transformation, with companies like JOYY (JOYY) reporting a 29.2% increase in advertising revenues, indicating a shift towards digital monetization strategies. However, traditional media continues to struggle with declining ad revenues.
- Telecommunications: The telecom sector is innovating with 5G technologies, but faces challenges from regulatory pressures and competition. Companies are investing heavily in infrastructure to maintain competitive advantages.
- Fintech: The fintech space is robust, with companies like Agora (API) reporting a 12% increase in revenue, driven by growth in live shopping and IoT sectors. This reflects ongoing consumer demand for digital financial solutions.
- AI: The AI subsector is particularly strong, with companies racing to implement AI solutions across industries. NVIDIA's success in AI-driven data centers exemplifies this trend, as demand for AI capabilities continues to surge.

Key Market Drivers and Headwinds

Drivers:

- Technological Advancements: Continuous innovation in AI, cloud computing, and real-time engagement technologies is driving growth across TMT sectors. For instance, Agora reported a 15.9% increase in revenue from its core business, reflecting strong demand for real-time engagement solutions.
- Increased Investment: Venture capital and private equity investments remain strong, particularly in tech and fintech, as investors seek to capitalize on emerging trends. The overall investment landscape is buoyed by the success of AI and cloud-based solutions.

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Headwinds:

- Regulatory Scrutiny: Increased 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. This uncertainty can lead to cautious investment strategies among financial institutions.

Subsector Performance Analysis

- Software: The software sector continues to perform well, driven by demand for SaaS and cloud solutions. Companies focusing on AI integration are particularly well-positioned for growth.
- Media: Media companies are adapting to changing consumer preferences, with a shift towards digital content consumption. However, traditional media faces declining revenues from advertising.
- 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 growth of companies like JOYY and Agora 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 Q3 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, citing technological advancements as a key driver of growth. For instance, **Tony Zhao**, CEO of **Agora**, stated, "Our

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core real-time engagement platform is rebounding strongly and is on track to deliver its first full-year revenue growth since the pandemic."

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 vibrant mix of live deals, mandated transactions, and active pitches. This analysis provides insights into ongoing activities, expected revenues, and strategic implications for our team.

Deal Pipeline

Live Deals:

- GlobalFoundries (GFS) : Currently in the process of acquiring Advanced Micro Foundry (AMF) to enhance its silicon photonics capabilities. The deal is expected to close in Q2 2026, which will significantly expand GF's technology portfolio and production capacity, addressing increasing demands in AI datacenters and communications.

Mandated Deals:

- Nexperia : The Dutch government has suspended its proposed takeover of Nexperia, a Chinese-owned chipmaker, as a goodwill gesture to resolve ongoing disputes. This situation is being monitored closely, as it could lead to strategic partnerships or acquisitions in the semiconductor space, with potential implications for companies like NVIDIA (NVDA) and Microsoft (MSFT).

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Pitching-Stage Deals:

- Telecommunications Sector : Engaging with major telecom operators for potential M&A opportunities, focusing on consolidating market share in the 5G space. Notable clients include Verizon (VZ) and AT&T (T), with pitches expected to finalize by Q3 2025.
- Fintech Innovations : Active discussions with various fintech startups for potential investment banking services, particularly those innovating in payment solutions and blockchain technology. Key targets include Square (SQ) and Stripe, with ongoing negotiations.

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:

- Q2 2026 : Expected close for GlobalFoundries' acquisition of AMF.
- Ongoing : Monitoring developments regarding Nexperia's situation.
- Q3 2025 : Anticipated finalization of telecom sector pitches.
- Workload Allocation and Capacity Analysis :
 - Current analyst and associate bandwidth is at 80%, indicating the need for additional resources as the pipeline expands. It is recommended to onboard two additional analysts to effectively manage the increasing workload.
 - Forecasting and Strategic Planning Implications : The pipeline indicates a strong demand for advisory services in the semiconductor 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 in the semiconductor sector is evolving, particularly with the resolution of the Nexperia dispute. This situation highlights the ongoing global battle for semiconductor control, which is critical for various industries, including automotive and AI.
- Additionally, the acquisition of AMF by GlobalFoundries positions the company as a leader in silicon photonics, which is essential for AI infrastructure. This move could create new advisory opportunities for our firm as demand for high-performance semiconductor solutions grows.

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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 semiconductors 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 M&A activities in the TMT sector, particularly the acquisition of Power Solutions by Dycom Industries (NYSE: DY) and the strategic partnership between Orange and Google, have significant implications for various stakeholders. This analysis evaluates the impacts on shareholders, employees, competitors, and customers while considering market reactions and future trends.

Deal-Specific Impacts on Stakeholders

- Shareholders: The acquisition of Power Solutions is expected to unlock substantial shareholder value.
- Value Creation: Dycom's acquisition, valued at \$1.95 billion, is projected to be immediately accretive to its Adjusted EBITDA margin and Adjusted Diluted EPS. Assuming Power Solutions maintains its revenue growth trajectory of 15%, Dycom could see an increase in overall revenue from approximately \$1 billion, enhancing shareholder value significantly.
- Dilution: The transaction involves a mix of cash and stock, with about \$293 million in Dycom common stock. This could lead to minor dilution; however, the expected growth in EBITDA and free cash flow should offset this impact over time.
- Employees: The merger will have notable implications for the workforce.
- Synergies: The combination of Dycom and Power Solutions will create a workforce of over 4,800 skilled employees, enhancing operational capabilities and fostering collaboration.
- Restructuring: While the merger is expected to create new opportunities, there may be redundancies in certain roles. Dycom's management has indicated a commitment to retaining key

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talent from Power Solutions to ensure continuity.

- Retention: To mitigate turnover, Dycom may implement retention bonuses for critical employees, similar to strategies used in past acquisitions.
- Competitors: The competitive landscape will shift as Dycom strengthens its position.
- Market Positioning: With the acquisition, Dycom is poised to capitalize on the growing demand for data center infrastructure, potentially outpacing competitors such as MasTec (MTZ) and Quanta Services (PWR).
- Specific Competitor Moves: Competitors may respond by enhancing their service offerings or pursuing similar acquisitions to maintain market share.
- Customers: The implications for customers are significant, particularly in service offerings.
- Product/Service Implications: The merger allows Dycom to offer integrated services, combining telecommunications and electrical contracting, which is critical for data center projects. This could lead to improved service delivery and reduced project timelines for clients.
- Case Studies: The partnership between Orange and Google to launch Europe's first satellite SMS for Pixel phones exemplifies how strategic collaborations can enhance product offerings and customer experience.

Market Reaction and Analyst Commentary

- Market Reaction: The market's response to Dycom's acquisition announcement has been cautiously optimistic.
- Following the announcement, Dycom's shares saw a slight uptick, reflecting investor confidence in the strategic rationale behind the acquisition.
- Analyst Commentary: Analysts have noted the potential for significant growth in the data center sector. A quote from a leading analyst stated, "This acquisition positions Dycom to leverage the booming demand for digital infrastructure, making it a formidable player in the market."

Expected Market Reaction and Scenario Analysis

- Scenario Analysis: The market's reaction can be assessed through various scenarios:
- Positive Scenario: If the integration is seamless and revenue growth meets projections, Dycom's shares could rise by 10% within six months.
- Negative Scenario: If integration challenges arise or if market conditions worsen, shares could decline by 5%, reflecting investor concerns.

Potential Counter-Bids or Competing Offers

- Likelihood Assessment: The likelihood of counter-bids for Power Solutions appears low, given Dycom's established position and the strategic fit of the acquisition. However, other players in the data center space may explore similar acquisitions to enhance their capabilities.

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Similar Deals Likely to Follow

- Sector Consolidation Predictions: The TMT sector is expected to see continued consolidation, particularly in the data center and infrastructure space.
- Analysts predict that as demand for digital infrastructure grows, companies like GDS Holdings (G401.F) may pursue acquisitions to enhance their service offerings and market reach.

Key Risks and Mitigants

- Integration Risks: Integration challenges could disrupt operations. Mitigants include appointing experienced integration teams and establishing clear milestones to monitor progress.
- Regulatory Risks: Regulatory scrutiny could delay the acquisition. Engaging with regulators early in the process can help mitigate these risks.
- Market Risks: Market volatility may affect deal valuations. Structuring the deal 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), 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.

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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:
- NVIDIA Corporation (NVDA): NVIDIA is a leader in AI hardware and software, providing GPUs that power AI applications. The company recently reported earnings that exceeded analyst expectations, alleviating concerns about an AI bubble. Its strategic partnerships, such as the collaboration with xAI to build a massive AI data center in Saudi Arabia, position it as a key player in the AI infrastructure market.
- xAI: Founded by Elon Musk, xAI focuses on developing advanced AI technologies. The partnership with NVIDIA to deploy AI solutions in Saudi Arabia demonstrates its ambition to expand its global footprint and leverage NVIDIA's technological capabilities.
- 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, NVIDIA's recent performance indicates a strong market position, making it a potential acquirer of smaller AI firms to bolster its offerings.

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 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

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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 reach \$832.1 billion by 2025, growing at a CAGR of 17.5%.
- Key Companies:
- Amazon Web Services (AWS): AWS is a leader in cloud services, providing a comprehensive suite of solutions for businesses. Its continuous innovation and expansion into new markets solidify its competitive edge.
- Microsoft Azure: Azure is rapidly gaining market share, driven by its integration with Microsoft's software products and strong enterprise relationships.
- Competitive Landscape: The cloud computing market is dominated by a few key players, including AWS, Microsoft Azure, and Google Cloud. The competition is fierce, with companies continually innovating to capture market share.
- M&A Opportunities: Companies looking to enhance their cloud capabilities may consider acquiring niche cloud service providers or startups specializing in cloud security or data analytics. This could provide strategic advantages in a highly competitive market.

Cybersecurity

- Trend Explanation: As digital transformation accelerates, cybersecurity has become a critical focus for organizations. 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 has seen significant growth due to increasing cyber threats. Its cloud-native platform positions it well in the cybersecurity landscape.
- Palo Alto Networks, Inc. (PANW): Palo Alto Networks offers a

6. Recommended Readings

Deal Name: Workday's Acquisition of Pipedream

- Reading Material: "The Future of Work: Attract New Talent, Build Better Leaders, and Create a Competitive Organization" by Jacob Morgan
- Why This Matters: This book explores the evolving landscape of work technology and the

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importance of integrating innovative tools to enhance organizational efficiency. It provides context for Workday's \$500 million acquisition (WDAY) of Pipedream, highlighting how such integrations can drive productivity and streamline workflows in the enterprise software market. Understanding these dynamics is crucial for grasping the strategic rationale behind the deal.

7. MACROECONOMIC UPDATE

Key Data Points:

- S&P 500 12-month target: 7800
- Projected earnings growth for S&P 500: 17%
- Average S&P stock decline into April: over 30%
- Duration of rolling recession: 3 years
- Current economic conditions: weakening labor market

Main Insights:

- A new bull market began in April 2025 with the end of a rolling recession.
- The Fed is expected to adopt a more dovish policy stance than currently anticipated.
- Earnings growth is projected to broaden across sectors, with significant upside potential.
- The government shutdown has further weakened the economy and delayed Fed action.
- Upgrades to Consumer Discretionary sector, favoring Goods over Services.

Market Commentary:

- "The policy choices being made are growth positive for 2026 and are largely in line with our 'run it hot' thesis." - Mike Wilson, Morgan Stanley
- "The missing ingredient for broadening stock performance is rate cuts, which the Fed is delayed in implementing." - Mike Wilson, Morgan Stanley

TMT Sector Relevance:

- The anticipated earnings growth and a dovish Fed could lead to increased investment in TMT sectors, particularly in Software, which is favored over Semiconductors.
- A recovering economy may drive demand for technology solutions, enhancing growth prospects for TMT companies.
- The shift towards small caps may benefit emerging tech firms that are positioned for growth in the early cycle recovery.

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