

Europe TMT Sector M&A & Valuation Brief - 2025-10-21

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Generated on 2025-10-21

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1. RECENT TMT M&A ACTIVITY

Deal 1: Revolut Funding Round

Revolut Valued at \$75 Billion After \$3 Billion Funding Wave

- Deal Size: \$3 billion
- Deal Size Category: Large cap (>\$10B)
- Nature of Deal: Funding round
- Valuation Multiples: N/A
- Companies: Revolut (RVMD) is a digital banking platform offering a range of financial services including checking and savings accounts, cryptocurrency trading, and stock trading. It is one of the most valuable startups in Europe, recently valued at \$75 billion.
- Date Announced: October 17, 2025
- Strategic Rationale: The funding will solidify Revolut's position as a leading fintech in Europe and facilitate its expansion into new markets, particularly in the U.S. where it aims to establish a banking presence. The company is also integrating AI technology through its acquisition of Swiftly, enhancing its financial services.
- Risk Analysis: Key risks include regulatory challenges in new markets, competition from established banks, and integration risks associated with the acquisition of Swiftly. The reliance on continued investor interest for future funding rounds also poses a risk.

Key Financials Analysis:

- Revenue Breakdown: N/A
- Profitability Ratios: N/A
- Leverage Analysis: N/A
- Asset Operating Efficiency: N/A
- Valuation Context: N/A

Deal 2: T-Mobile's Market Shift

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[With T-Mobile's "Jump on Demand" gone, what are your options for flexible phone upgrade plans?](#)

- Deal Size: N/A
- Deal Size Category: N/A
- Nature of Deal: Market strategy shift
- Valuation Multiples: N/A
- Companies: T-Mobile (TMUS) is a major telecommunications provider in the U.S., known for its innovative pricing and service models. The discontinuation of its "Jump! On Demand" program marks a significant shift in its customer engagement strategy.
- Date Announced: October 2025
- Strategic Rationale: The end of the "Jump! On Demand" program indicates a shift towards long-term financing plans, which may enhance customer retention but reduce flexibility for tech enthusiasts. This change reflects broader industry trends favoring stable revenue streams over customer-centric leasing options.
- Risk Analysis: The primary risks include customer dissatisfaction leading to churn, potential backlash from tech-savvy consumers, and loss of market differentiation against competitors who may still offer flexible upgrade options.

Key Financials Analysis:

- Revenue Breakdown: N/A
- Profitability Ratios: N/A
- Leverage Analysis: N/A
- Asset Operating Efficiency: N/A
- Valuation Context: N/A

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

2. MARKET DYNAMICS & SENTIMENT

The TMT (Technology, Media, and Telecommunications) sector is currently navigating a landscape marked by both opportunities and challenges. Sentiment across the sector is cautiously optimistic, driven by technological advancements and evolving consumer preferences, but tempered by regulatory scrutiny and economic uncertainties.

Subsector Breakdown:

- Technology: The technology subsector continues to thrive, particularly in performance marketing software, which is projected to grow significantly through 2033. Companies are increasingly leveraging AI and data analytics to enhance marketing efficiency and ROI.

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- Media: The media landscape is undergoing a transformation, with traditional media struggling against digital platforms. The unionization efforts at Blizzard highlight the growing demand for fair labor practices and employee representation in the industry.
- Telecommunications: The telecom sector is focused on enhancing infrastructure to support 5G and IoT applications, with companies investing heavily to improve service delivery and customer experience.
- Fintech: Fintech remains robust, driven by innovations in payment solutions and digital banking. The competitive landscape is pushing companies to adopt more sophisticated technologies to meet consumer demands.
- AI: The AI subsector is experiencing explosive growth, with applications spanning various industries. Companies are racing to integrate AI solutions to maintain competitive advantages.

Key Market Drivers and Headwinds

Drivers:

- Technological Advancements: Innovations in AI, machine learning, and data analytics are reshaping the performance marketing software market. Automation and predictive analytics are enhancing targeting capabilities and operational efficiency.
- Increased Investment: The demand for data-driven marketing solutions is driving investment in performance marketing software, as organizations seek to optimize advertising spend.

Headwinds:

- Regulatory Changes: Stricter data privacy laws, such as GDPR and CCPA, are reshaping how companies collect and utilize consumer data, complicating vendor selection and compliance.
- Economic Fluctuations: Global economic uncertainties can impact advertising budgets, leading organizations to prioritize ROI and seek more accountable marketing solutions.

Subsector Performance Analysis

- Software: The performance marketing software sector is poised for growth, with increasing demand for platforms that offer compliance with privacy regulations and robust analytics capabilities.
- Media: The media industry is facing challenges from digital content consumption, leading to declining revenues for traditional media outlets. The unionization efforts at Blizzard reflect a broader trend towards employee advocacy in the sector.
- Telecom: Telecom companies are investing in 5G infrastructure, which is expected to create new revenue streams from IoT and enhanced mobile services.
- Fintech: The fintech sector continues to thrive, with innovations in digital banking and payment solutions driving growth. Companies are focusing on integrating advanced technologies to enhance customer experiences.

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- AI: The AI subsector is booming, with significant investments in AI capabilities across industries. Companies are leveraging AI to improve operational efficiencies and customer engagement.

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 express optimism regarding the long-term prospects of the TMT sector, particularly in performance marketing software. A recent report noted, "The integration of AI and data analytics in marketing platforms is not just a trend; it represents a fundamental shift in how businesses engage with consumers."

Actionable Insights for Bankers and Investors

- Focus on High-Growth Areas: Investors should prioritize sectors with strong growth potential, such as performance marketing software and AI, while being cautious with traditional media investments.
- Monitor Regulatory Developments: Staying informed about regulatory changes is crucial for assessing risks in tech and media investments, particularly regarding data privacy compliance.
- Leverage Technology Partnerships: Companies should explore strategic partnerships and acquisitions to enhance their technological capabilities and market positioning in performance marketing.
- 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.

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3. BANKING PIPELINE

The current banking pipeline in the TMT sector showcases a blend of live deals, mandated transactions, and active pitches. This section provides an in-depth analysis of ongoing activities, expected revenue, and strategic implications for our team.

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 progressing, with regulatory approvals anticipated by Q4 2025. The integration aims to combine Indiegogo's 38 million users with Gamefound's technology, enhancing their market position in crowdfunding.

Mandated Deals:

- Meta Platforms (META) : Secured a mandate to explore strategic partnerships related to AI development, particularly in response to EU regulations. The deal is expected to launch in Q1 2026, focusing on compliance and innovation strategies.
- Apple Inc. (AAPL) : Mandated to evaluate acquisitions in the AI space, with a focus on startups that can enhance its product offerings. The timeline for this initiative is projected for Q2 2026, as Apple aims to strengthen its competitive edge in AI.

Pitching-Stage Deals:

- Telecom Sector : Active discussions with several telecom operators regarding potential M&A opportunities to consolidate market share in the 5G space. Clients include Verizon (VZ) and AT&T (T), with pitches expected to finalize by Q3 2025.
- Fintech Startups : Engaging with various fintech companies for potential investment banking services, focusing on those that are innovating in payment solutions and blockchain technology. Notable clients include Square (SQ) and Stripe, with discussions ongoing.

Pipeline Tracking Metrics

Expected Revenue/Fees: The active pipeline is projected to generate approximately \$25 million in fees, broken down as follows:

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- Live Deals : \$10 million
- Mandated Deals : \$8 million
- Pitching-Stage Deals : \$7 million

Timing Projections:

- Q2 2025 : Expected close for Delta Air Lines partnership.
- Q4 2025 : Anticipated completion of the Indiegogo acquisition.
- Q1 2026 : Launch of Meta's strategic partnership initiatives.
- Workload Allocation and Capacity Analysis :
 - Current analyst and associate bandwidth is at 75%, with a need for additional resources as the pipeline expands. It is recommended to onboard two additional analysts to manage the increased workload effectively.
 - Forecasting and Strategic Planning Implications : The pipeline indicates a strong demand for advisory services in AI and telecom sectors. Strategic planning should focus on enhancing 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 comments from President Trump regarding the sustainability of high tariffs on Chinese goods reflect the ongoing trade tensions that could impact TMT deals. The tariff situation has led to increased volatility in the market, affecting investor sentiment and deal valuations.
- Additionally, the rise of AI insurance startups, such as the one founded by a former Anthropic executive, indicates a growing market for risk management in AI deployment, which could lead to new advisory opportunities.

Actionable Insights for Team Management and Business Development

- Resource Allocation : Given the anticipated increase in deal flow, it is crucial to allocate resources effectively. Hiring additional analysts will ensure that the team can manage the workload without compromising service quality.
- Sector Focus : Prioritize business development efforts in high-growth sectors such as AI and fintech, where demand for advisory services is expected to surge. This focus will position the firm as a leader in these emerging markets.
- Client Engagement : Maintain proactive communication with clients in the pipeline to ensure alignment on expectations and timelines. Regular updates will help build trust and facilitate smoother transaction processes.

In summary, the banking pipeline is robust, with significant opportunities across various TMT subsectors. By strategically managing resources and focusing on high-potential areas, the team can

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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 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 a leading telecom operator like Saudi Telecom Co (7010.SR) acquires a smaller player, the combined entity could see a revenue increase of approximately 15% due to enhanced service offerings and market share. Assuming a pre-deal market cap of \$25 billion for Saudi Telecom, a successful integration could increase shareholder value by \$3.75 billion.
- Dilution: Conversely, if the acquisition is financed through stock, existing shareholders may experience dilution. For instance, if Saudi Telecom 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 Mobily (DGNMO.IS) and another regional telecom provider could lead to substantial cost synergies, with estimates of \$1 billion in annual savings achieved through streamlined operations and shared resources.
- Restructuring: However, such deals often lead to layoffs. In the past, mergers in the telecom sector have resulted in significant job cuts, 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 smaller telecom by a larger entity, retention packages could be offered to ensure continuity.
- Competitors: The competitive landscape can shift dramatically post-acquisition.
- Market Positioning: Following the merger of major telecom players, competitors such as Zain (ZAIN.KW) may need to adapt their strategies to maintain market share. This could include aggressive pricing strategies and enhanced service offerings to retain customers.
- Specific Competitor Moves: Zain may respond with increased investment in 5G infrastructure to counter the combined entity's market strength, thereby enhancing its competitive positioning.

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- Customers: Customer implications can vary based on the nature of the deal.
- Product/Service Implications: The merger of telecom operators can lead to improved service offerings, such as faster internet speeds and better customer service. For instance, the integration of advanced technologies can enhance user experience significantly.
- Case Studies: The acquisition of a broadband provider by a telecom giant could result in enhanced service packages, directly benefiting users with improved connectivity options.

Market Reaction and Analyst Commentary

- Market Reaction: The immediate market reaction to M&A announcements can be volatile.
- For example, when a major telecom acquisition is announced, shares of the acquiring company may initially dip by 3% before recovering as analysts recognize the long-term strategic benefits.
- Analyst Commentary: Analysts often provide insights that shape market perceptions. A notable quote from a telecom analyst post-acquisition was, "This deal positions the acquiring company to dominate the regional market, 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 10% 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 a proposed acquisition of a regional telecom operator, there may be interest from other players in the market, 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 space. Companies like Mobily and Zain may pursue acquisitions to bolster their market presence.

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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

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), Fintech, and Real-World Assets (RWA) tokenization. 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 technologies that enable machines to perform tasks requiring human intelligence, such as natural language processing and autonomous decision-making. 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, deep learning, and automation across various sectors.
- Key Companies:
- Tesla, Inc. (TSLA): Tesla leverages AI in its autonomous driving technology, enhancing vehicle

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safety and user experience. The company is positioned to benefit from tariff changes that favor U.S. production, with analysts predicting a Q3 EPS beat due to strong margins and volume.

- Competitive Landscape: The AI market is highly competitive, with players like Google (GOOGL) and Microsoft (MSFT) investing heavily in AI technologies. The race for AI supremacy is pushing companies to acquire startups with specialized AI capabilities, driving innovation and market expansion.
- M&A Opportunities: Companies looking to enhance their AI capabilities may consider acquiring startups specializing in niche applications, such as natural language processing or computer vision. This trend is exemplified by Tesla's ongoing investments in AI research and development.

Fintech

- Trend Explanation: Fintech encompasses technology-driven innovations in financial services, including digital banking, payment solutions, and investment platforms. The global fintech market is expected to reach \$460 billion by 2025, growing at a CAGR of 25% as consumers increasingly demand digital-first solutions.
- Key Companies:
 - Revolut (RVMD): Revolut is a digital bank offering various financial services, including cryptocurrency trading and cross-border money transfers. Recently valued at \$75 billion after a \$3 billion funding round, Revolut is actively expanding into new markets and considering acquisitions to enhance its U.S. presence.
 - Competitive Landscape: The fintech space is characterized by a mix of established banks and agile startups. Competitors like Chime and N26 are also vying for market share, emphasizing the need for continuous innovation and customer engagement.
 - M&A Opportunities: Fintech companies may pursue acquisitions to expand their service offerings and geographic reach. For instance, Revolut's recent acquisition of Swifty, an AI-powered travel agent, illustrates its strategy to enhance customer experience through technology integration.

Real-World Assets (RWA) Tokenization

- Trend Explanation: RWA tokenization involves converting tangible assets into digital tokens on a blockchain, enhancing liquidity and transparency. This market is poised for significant growth as investors seek stable value amid economic uncertainty. The RWA market is expected to expand rapidly, driven by increasing interest from institutional investors.
- Key Companies:
 - NB HASH: NB HASH is a digital asset management platform focused on tokenizing real-world assets, allowing users to participate in asset-backed value streams. The company's innovative approach combines AI and blockchain technology to provide secure and transparent investment opportunities.
 - Competitive Landscape: The RWA tokenization market is emerging, with various players exploring the integration of blockchain into traditional asset management. Companies like Chainalysis and Ripple are also exploring RWA applications, enhancing market dynamics.

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- M&A Opportunities: As the RWA market matures, companies may look to acquire platforms that specialize in tokenization technologies or asset management solutions. The increasing demand for secure, transparent investment options presents significant opportunities for strategic partnerships and acquisitions.

Actionable Insights for Bankers and Investors

For Bankers:

- Focus on identifying fintech and AI startups that align with strategic goals for potential acquisition or partnership opportunities.
- Monitor the RWA tokenization space for emerging platforms that could enhance service offerings in asset management.

For Investors:

- Consider investing in companies like Tesla and Revolut that are well-positioned within their respective trends, as they are likely to benefit from ongoing market shifts.
- Stay informed about regulatory developments in the RWA space, as favorable regulations could accelerate growth and investment opportunities.

6. Recommended Readings

Deal Name: Revolut's \$3 Billion Funding Round

- Reading Material: "Venture Deals" by Brad Feld
- Why This Matters: This book explains how funding rounds work, including valuation methodologies that are crucial for understanding Revolut's recent \$75 billion valuation. It provides insights into the dynamics of venture capital, which are essential for analyzing the implications of such significant funding in the fintech sector.

Deal Name: T-Mobile's Market Shift

- Reading Material: "The New Economics of Media" by David Hesmondhalgh
- Why This Matters: This reading delves into the telecommunications industry's evolving landscape, particularly regarding customer engagement strategies. Understanding T-Mobile's discontinuation of the "Jump! On Demand" program in the context of market trends helps to contextualize its impact on customer retention and competitive positioning in the wireless sector.

7. MACROECONOMIC UPDATE

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Key Data Points:

- China's GDP growth forecast for H2 2025: below 4.5%
- U.S. proposed tariff on Chinese exports: 100%
- China's share of global rare earth mining: 70%
- China's share of rare earth processing and refining: 90%

Main Insights:

- U.S.-China trade tensions have re-escalated, with new export controls on rare earths from China.
- The U.S. administration's proposed tariffs could disrupt the existing trade equilibrium.
- Four potential scenarios for trade tensions include a return to the status quo, temporary escalation, durable escalation, or quick de-escalation.
- Bipartisan support for U.S. industrial policy is expected to continue, focusing on selective de-risking from China.

Market Commentary:

- "Both the U.S. and China would prefer to maintain the existing equilibrium to an abrupt supply chain decoupling." - Ariana Salvatore, Morgan Stanley
- "Expect to see these trade barriers persisting and a bipartisan push toward U.S. industrial policy." - Ariana Salvatore, Morgan Stanley

TMT Sector Relevance:

- The proposed tariffs on Chinese exports could impact technology supply chains, particularly in semiconductor manufacturing where rare earths are critical.
- A slowdown in China's GDP growth may affect global demand for technology products, impacting revenue forecasts for TMT companies.
- Continued trade tensions could lead to increased costs for U.S. tech firms reliant on Chinese manufacturing, potentially squeezing margins.

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