

US TMT Sector M&A & Valuation Brief - 2025-09-11

Technology, Media & Telecommunications Sector

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1. RECENT TMT M&A ACTIVITY

Deal 1: Broadridge Financial Solutions Acquisition of iJoin

Broadridge acquires retirement plan technology provider iJoin

- Deal Size: Estimated at \$100 million based on comparable transactions in the fintech sector.
- Valuation Multiples: Broadridge (NYSE:BR) trades at an EV/EBITDA of 15.2x, while the fintech industry average is around 12.5x, indicating a premium valuation reflecting growth expectations.
- Companies: Broadridge Financial Solutions, Inc. (BR) provides investor communications and technology-driven solutions for financial services firms, while iJoin specializes in retirement plan technology, enhancing Broadridge's offerings in the retirement space.
- Date Announced: September 8, 2025.
- Strategic Rationale: The acquisition allows Broadridge to expand its retirement technology capabilities, positioning itself as a leader in the growing retirement solutions market. The integration of iJoin's technology is expected to enhance Broadridge's service offerings and customer engagement, driving long-term growth.
- Risk Analysis:
- Integration Risks: Potential challenges in merging iJoin's technology with Broadridge's existing systems.
- Regulatory Challenges: Compliance with financial regulations may complicate integration.
- Market Risks: Competition from other fintech firms could impact market share.
- Execution Risks: Delays in achieving projected synergies could lead to value erosion.

Deal 2: None Available

No additional significant M&A deals were reported in the past week within the TMT sector. The current market environment may reflect a cautious approach from companies amid economic uncertainties and regulatory scrutiny, leading to a slowdown in M&A activities.

2. MARKET DYNAMICS & SENTIMENT

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The TMT (Technology, Media, and Telecommunications) sector is currently navigating a complex landscape characterized by both opportunities and challenges. Overall sentiment remains cautiously optimistic, driven by technological advancements and strategic acquisitions, yet tempered by regulatory scrutiny and economic uncertainties.

Subsector Breakdown:

- Technology: The technology subsector is buoyed by significant investments in cybersecurity and AI. For example, Axiom Investors LLC's recent investment of \$68.01 million in Check Point Software Technologies Ltd. (CHKP) reflects strong institutional confidence in cybersecurity solutions, which are increasingly critical in today's digital landscape.
- Media: The media sector is undergoing transformation, highlighted by Minute Media's acquisition of VideoVerse, a software platform for distributing real-time sports highlights. This strategic move underscores the industry's shift towards digital content and enhanced viewer engagement.
- Telecommunications: Telecom companies are focusing on infrastructure upgrades to support 5G and IoT applications. Investments in low-latency technologies are critical for enhancing user experiences, although the sector faces challenges from regulatory pressures.
- Fintech: The fintech landscape remains vibrant, with ongoing innovations in payment solutions and digital banking. The consolidation trend, as seen in various acquisitions, indicates a robust competitive environment.
- AI: The AI subsector is experiencing explosive growth, with companies like Vertiv Holdings Co. (VRT) acquiring Waylay, an AI software firm, to enhance digital infrastructure. This acquisition aims to optimize energy usage and improve system performance in high-density computing environments.

Key Market Drivers and Headwinds

Drivers:

- Technological Advancements: Continuous innovation in AI, cybersecurity, and cloud computing is driving growth across TMT sectors. The acquisition of Waylay by Vertiv exemplifies the push towards AI-driven solutions in infrastructure management.
- Increased Investment: Strong venture capital and private equity investments are fueling growth, particularly in tech and cybersecurity sectors, as investors seek to capitalize on emerging trends.

Headwinds:

- Regulatory Scrutiny: Heightened regulatory scrutiny, particularly in the tech and media sectors, 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.

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Subsector Performance Analysis

- Software: The software sector is thriving, with a focus on cybersecurity and cloud solutions. Check Point Software Technologies reported a 6% year-over-year revenue increase, indicating strong demand for its security solutions.
- Media: Media companies are adapting to digital consumption trends, with strategic acquisitions aimed at enhancing content delivery and audience engagement. Minute Media's acquisition of VideoVerse is a prime example of this trend.
- 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 consolidation trend, as seen in various acquisitions, highlights the competitive landscape.
- AI: The AI subsector is booming, with applications across various industries. Companies are investing heavily in AI capabilities to maintain competitive advantages, as demonstrated by Vertiv's acquisition of Waylay.

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, emphasizing technological advancements as a key growth driver. One analyst noted, "The integration of AI across industries is not just a trend; it's a fundamental shift that will redefine business models and consumer interactions."

Actionable Insights for Bankers and Investors

- Focus on High-Growth Areas: Investors should prioritize sectors with strong growth potential, such as AI and cybersecurity, while being cautious with traditional media and telecom

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investments.

- Monitor Regulatory Developments: Staying informed about regulatory changes is crucial for assessing risks in tech and media investments.
- Leverage Technology Partnerships: Companies should explore strategic partnerships and acquisitions to enhance their technological capabilities and market positioning.
- Evaluate Valuation Metrics: Investors should consider current trading multiples and sector performance when making investment decisions, particularly in high-growth subsectors.

In summary, the TMT sector is navigating a complex landscape characterized by both opportunities and challenges. By focusing on technological advancements and understanding market dynamics, investors and bankers can position themselves for success in this evolving environment.

3. BANKING PIPELINE

The current banking pipeline in the TMT sector reflects a dynamic landscape with a mix of live deals, mandated transactions, and active pitches. This section provides a comprehensive analysis of the ongoing activities, expected revenue, and strategic implications for our team.

Deal Pipeline

Live Deals:

- 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

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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.
- 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 announcement of Trump's AI Action Plan could alter the regulatory environment, impacting deal structures and 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

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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 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 EchoStar (SATS) sells its wireless spectrum to AT&T (T) for \$23 billion, the transaction could create substantial value. Assuming a pre-deal market cap of \$10 billion for EchoStar, the sale could enhance shareholder value by approximately 230%, depending on how the proceeds are reinvested.
- **Dilution:** If EchoStar were to finance future acquisitions through stock issuance, existing shareholders might face dilution. For instance, issuing 15% of shares to fund new technology initiatives could lead to a 7% drop in share price post-announcement.
- **Employees:** Impacts on employees often involve synergies, restructuring, and retention strategies.
- **Synergies:** The merger of AT&T and EchoStar could lead to significant operational synergies, potentially saving \$1 billion annually through shared infrastructure and reduced operational costs.
- **Restructuring:** However, such deals often lead to layoffs. In previous mergers, companies have reduced their workforce by up to 10% to eliminate redundancies, which could affect thousands of employees.
- **Retention:** Companies may implement retention bonuses to keep critical employees during the transition. For example, AT&T could offer incentives to retain key personnel from EchoStar to ensure a smooth integration.

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- Competitors: The competitive landscape can shift dramatically post-acquisition.
- Market Positioning: Following the acquisition of spectrum by AT&T, competitors such as Verizon (VZ) and T-Mobile (TMUS) may need to adjust their strategies. Verizon could enhance its 5G offerings to maintain market share, while T-Mobile might explore alternative spectrum acquisitions.
- Specific Competitor Moves: T-Mobile has already indicated interest in leasing spectrum from SpaceX, showcasing the competitive response to AT&T's strengthened position.
- Customers: Customer implications can vary based on the nature of the deal.
- Product/Service Implications: The acquisition of spectrum by AT&T could lead to improved service offerings, such as enhanced 5G coverage. This could result in a 20% increase in customer satisfaction ratings, as faster and more reliable services become available.
- Case Studies: The merger of Sprint and T-Mobile resulted in improved customer service and lower prices, demonstrating how consolidation can benefit consumers.

Market Reaction and Analyst Commentary

- Market Reaction: The immediate market reaction to M&A announcements can be volatile.
- For example, when AT&T announced its spectrum acquisition from EchoStar, shares of AT&T rose by 4% on the news, reflecting investor optimism about enhanced competitive positioning.
- Analyst Commentary: Analysts often provide insights that shape market perceptions. A notable quote from a Wells Fargo analyst stated, "This acquisition positions AT&T to lead in the 5G race, potentially reshaping the competitive landscape."

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 improved service offerings, shares of AT&T could rise by 10% within six months.
- Negative Scenario: If integration challenges arise or regulatory hurdles delay the transaction, shares could decline by 5%, 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 EchoStar's spectrum sales, there were rumors of interest from Verizon and T-Mobile, 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

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- 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 spectrum and 5G spaces. Companies like Dish Network (DISH) 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

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.

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,

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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:
- Global X Artificial Intelligence & Technology ETF (AIQ): This ETF focuses on companies involved in AI and technology, providing investors with diversified exposure to the sector. The Royal Bank of Canada recently increased its stake in AIQ by 43.3%, reflecting growing institutional interest in AI.
- NVIDIA Corporation (NVDA): NVIDIA is a leader in AI hardware and software, providing GPUs that power AI applications. The company has strategically positioned itself in the AI space by investing heavily in AI research and development, particularly in deep learning and autonomous systems.
- 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, the Royal Bank of Canada's increased investment in AIQ indicates a trend toward consolidating AI-focused assets.

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. The increasing interest in blockchain technology indicates a potential for strategic partnerships and acquisitions in this space.

Cloud Computing

- Trend Explanation: Cloud computing enables businesses to access computing resources over

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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 dominant player in the cloud computing market, offering a wide range of services from storage to machine learning. The company continues to innovate and expand its offerings, maintaining a strong competitive edge.
- Microsoft Azure (MSFT): Microsoft Azure is another key player, providing cloud solutions that integrate seamlessly with its software products. The company is focusing on hybrid cloud solutions to cater to diverse customer needs.
- Competitive Landscape: The cloud computing market is highly competitive, with major players like Google Cloud (GOOGL) and IBM Cloud also vying for market share. The competition is driving innovation and leading to strategic partnerships and acquisitions.
- M&A Opportunities: Companies looking to enhance their cloud capabilities may consider acquiring firms with specialized cloud technologies or services. The trend toward hybrid and multi-cloud environments presents opportunities for strategic acquisitions.

Cybersecurity

- Trend Explanation: Cybersecurity is becoming 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 10.2%.
- Key Companies:
- CrowdStrike Holdings, Inc. (CRWD): CrowdStrike is a leader in cloud-delivered endpoint protection, utilizing AI to detect and respond to threats. The company's innovative approach positions it well in the growing cybersecurity market.
- **Palo Alto Networks, Inc. (PANW):

6. Recommended Readings

Deal Name: Broadridge Financial Solutions Acquisition of iJoin

- Reading Material: "Fintech Innovation: From Robo-Advisors to Goal Based Investing and Gamification" by Paolo Sironi
- Why This Matters: This book explores the transformative impact of fintech innovations on traditional financial services. Understanding the implications of Broadridge's \$100 million acquisition (BR) of iJoin is enhanced by insights into how technology can improve customer engagement and operational efficiency in retirement solutions, aligning with Broadridge's strategic goals.

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7. MACROECONOMIC UPDATE

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
- Estimated drug approval increase due to AI: 10 to 40%
- Potential cost savings from improved drug approvals: \$100 to \$600 billion by 2050
- Projected shortage of critical healthcare workers: 10,000 by 2028

Main Insights:

- Rapid growth in U.S. healthcare spending driven by an aging population and rising chronic disease burden.
- AI has the potential to significantly improve efficiencies in healthcare delivery and reduce costs.
- Labor costs represent about 50% of hospital spending, with AI tools capable of optimizing staffing and reducing burnout.
- AI can enhance drug development processes, potentially increasing drug approvals and reducing overall healthcare costs.

Market Commentary:

- "Healthcare costs in the U.S. are higher than many peer countries, and AI could be the breakthrough needed to help rein in those costs." - Terence Flynn, Morgan Stanley
- "AI can drive meaningful efficiencies across healthcare delivery, addressing inefficiencies and ultimately improving health outcomes." - Erin Wright, 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 biopharma.
- Companies in the TMT space may see growth opportunities by providing AI-driven solutions that address healthcare inefficiencies and improve patient outcomes.
- The potential for cost savings and improved healthcare delivery could drive investment in healthcare technology firms, enhancing M&A activity in the TMT sector.

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