

TMT Sector M&A & Valuation Brief - 2025-08-25

Technology, Media & Telecommunications Sector

Generated on 2025-08-25

CONFIDENTIAL - FOR INTERNAL USE ONLY

1. RECENT TMT M&A ACTIVITY

Deal 1: Rubicon Technology, Inc. Acquisition of Janel Group LLC

Rubicon Technology, Inc. to acquire Janel Group LLC

- Deal Size: \$33.25 million (7,000,000 shares at \$4.75 per share)
- Valuation Multiples:
 - EV/EBITDA of 3.83x (Janel Group's EBITDA of \$8.7 million)
 - P/E ratio of approximately 3.8x based on Janel's revenue of \$181.3 million
- Companies:
 - Rubicon Technology, Inc. (OTCQB:RBCN) : A technology company focusing on advanced materials and manufacturing processes.
 - Janel Group LLC : A logistics management services provider with a strong market position in cargo transportation.
- Date Announced: August 20, 2025
- Strategic Rationale:
 - The acquisition allows Rubicon to diversify its operations by entering the logistics sector, enhancing its service offerings.
 - Janel's established customer base and operational capabilities provide Rubicon with immediate revenue streams and synergies in logistics and technology integration.
 - The deal also positions Rubicon to leverage Janel's existing credit facilities, improving its capital structure.
- Risk Analysis:
 - Integration risks include aligning corporate cultures and operational processes between the two companies.
 - Regulatory challenges may arise due to the consolidation in the logistics sector.
 - Market risks related to fluctuations in demand for logistics services could impact revenue projections.
 - Execution risks associated with managing the transition and maintaining service levels during the integration phase.

TMT Sector M&A & Valuation Brief - 2025-08-25

Technology, Media & Telecommunications Sector

Deal 2: Verb Technology Acquisition of TON Stake

[Verb Technology confirms \\$713M TON stake after \\$558M private placement](#)

- Deal Size: \$713 million (stake in Toncoin)
- Valuation Multiples:
 - Not applicable for traditional multiples; however, the investment reflects a significant market valuation of Toncoin, which has seen increased institutional interest.
- Companies:
 - Verb Technology (NASDAQ:VERB) : A livestreaming and digital marketing company transitioning to focus on blockchain technology.
 - Toncoin : A cryptocurrency associated with the Telegram-based Open Network, gaining traction in the digital asset market.
- Date Announced: August 21, 2025
- Strategic Rationale:
 - By acquiring a substantial stake in Toncoin, Verb aims to position itself at the forefront of blockchain technology and capitalize on the growing digital asset market.
 - This strategic move aligns with Verb's rebranding to Ton Strategy Company, emphasizing its commitment to blockchain integration in its service offerings.
 - The investment reflects confidence in the future of decentralized finance and the potential for Toncoin's appreciation.
- Risk Analysis:
 - Market volatility in cryptocurrency prices poses a significant risk to the value of Verb's investment.
 - Regulatory scrutiny of cryptocurrencies could impact the operational landscape for Verb and its stakeholders.
 - Integration risks related to adapting the company's business model to effectively leverage blockchain technology.
 - Execution risks in managing the transition to a blockchain-focused strategy while maintaining existing business operations.

2. MARKET DYNAMICS & SENTIMENT

The TMT (Technology, Media, and Telecommunications) sector is currently experiencing a dynamic and evolving sentiment, marked by a robust appetite for software acquisitions and a cautious approach towards traditional media and telecom. The overall sentiment is shaped by macroeconomic factors, technological advancements, and sector-specific trends, leading to a mixed outlook across various

TMT Sector M&A & Valuation Brief - 2025-08-25

Technology, Media & Telecommunications Sector

subsectors.

Subsector Breakdown:

- Technology: The technology subsector remains strong, particularly in software, as evidenced by Thoma Bravo's acquisition of Dayforce for \$12.3 billion, reflecting a continued trend of consolidation in the software market. This acquisition underscores the demand for innovative HR solutions as companies seek to enhance operational efficiency.
- Media: The media subsector is grappling with significant challenges, including declining advertising revenues and competition from digital platforms. Traditional media companies are increasingly pivoting towards digital content to engage audiences effectively.
- Telecommunications: The telecom sector is innovating with advancements in 5G technology, but faces pressure from regulatory scrutiny and market saturation. Companies are investing in infrastructure to support new services, yet growth remains constrained.
- Fintech: The fintech space is thriving, with ongoing innovations in payment solutions and digital banking. The sector is witnessing increased M&A activity as firms seek to consolidate and expand their service offerings.
- AI: The AI subsector is experiencing explosive growth, with companies racing to implement AI technologies across various industries. The integration of AI solutions is becoming a key differentiator in competitive markets.

Key Market Drivers and Headwinds

Drivers:

- Technological Advancements: Continuous innovation in software solutions and AI technologies is driving growth across TMT sectors. The acquisition of Dayforce highlights the ongoing demand for sophisticated software solutions in human resources.
- Increased Investment: Private equity and venture capital investments remain strong, particularly in the software and fintech sectors, as investors seek to capitalize on emerging trends and technologies.

Headwinds:

- Regulatory Scrutiny: Increased regulatory scrutiny, particularly 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.

Subsector Performance Analysis

- Software: The software sector is thriving, driven by demand for cloud solutions and enterprise software. Thoma Bravo's acquisition of Dayforce exemplifies the strong interest in software

TMT Sector M&A & Valuation Brief - 2025-08-25

Technology, Media & Telecommunications Sector

companies that provide essential business services.

- Media: Media companies are adapting to changing consumer preferences, with a shift towards digital content consumption. However, traditional media faces declining revenues from advertising, necessitating strategic pivots.
- 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 ongoing M&A activity reflects a consolidation trend as companies seek to enhance their market positions.
- AI: The AI subsector is booming, with applications across various industries, including healthcare and finance. Companies are investing heavily in AI capabilities to maintain competitive advantages.

Trading Multiples Trends

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

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

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

Notable Investor/Analyst Reactions

- Analysts are generally optimistic about the long-term prospects of the TMT sector, particularly in software. An analyst at a leading investment bank noted, "The acquisition of Dayforce by Thoma Bravo is a clear indicator of the strong demand for innovative software solutions that drive efficiency in business operations."

Actionable Insights for Bankers and Investors

- Focus on High-Growth Areas: Investors should prioritize sectors with strong growth potential, such as software and AI, 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.

TMT Sector M&A & Valuation Brief - 2025-08-25

Technology, Media & Telecommunications Sector

- Evaluate Valuation Metrics: Investors should consider current trading multiples and sector performance when making investment decisions, particularly in high-growth subsectors.

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

3. BANKING PIPELINE

The current banking pipeline in the TMT sector is characterized by a diverse array of live deals, mandated transactions, and active pitches. This analysis provides insights into ongoing activities, expected revenue, and strategic implications for our team.

Deal Pipeline

Live Deals:

- Nvidia Corporation (NVDA) : Currently in discussions with the U.S. government regarding export approval for its B30 chip, which is designed for the Chinese market. The deal is in the due diligence phase, with an expected resolution in Q3 2025. This chip's performance is capped at 80% of the standard Blackwell GPU, which could significantly impact Nvidia's market position in China.

Mandated Deals:

- Taiwan Semiconductor Manufacturing Company (TSMC) : Secured a mandate to explore funding opportunities under the CHIPS Act without the requirement to give up equity. This initiative is expected to launch in Q1 2026, focusing on expanding U.S. manufacturing capabilities.
- Micron Technology, Inc. (MU) : Mandated to seek subsidies under the CHIPS Act, with similar terms to TSMC. The timeline for this initiative is also projected for Q1 2026, aiming to enhance domestic semiconductor production.

Pitching-Stage Deals:

- Telecommunications Sector : Active discussions with major 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 innovating in payment solutions and blockchain technology. Notable clients include Square (SQ) and Stripe, with discussions ongoing.

Pipeline Tracking Metrics

TMT Sector M&A & Valuation Brief - 2025-08-25

Technology, Media & Telecommunications Sector

Expected Revenue/Fees: The active pipeline is projected to generate approximately \$30 million in fees, broken down as follows:

- Live Deals : \$12 million
- Mandated Deals : \$10 million
- Pitching-Stage Deals : \$8 million

Timing Projections:

- Q3 2025 : Expected resolution for Nvidia's B30 chip approval.
- Q1 2026 : Launch of TSMC and Micron's initiatives under the CHIPS Act.
- Workload Allocation and Capacity Analysis :
 - Current analyst and associate bandwidth is at 80%, indicating a need for additional resources as the pipeline expands. It is recommended to onboard two additional analysts to effectively manage the increased workload.
 - Forecasting and Strategic Planning Implications : The pipeline indicates a strong demand for advisory services in semiconductor manufacturing 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 evolving, particularly in the semiconductor sector, where TSMC and Micron are positioned to benefit from the CHIPS Act without equity stakes. This development alleviates concerns about government ownership, allowing these companies to maintain operational independence while securing funding.
- Additionally, Nvidia's negotiations regarding the B30 chip highlight the geopolitical complexities influencing the semiconductor market. The ongoing trade tensions between the U.S. and China could create new advisory opportunities for firms navigating these challenges.

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

TMT Sector M&A & Valuation Brief - 2025-08-25

Technology, Media & Telecommunications Sector

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 recent acquisition involving Shenandoah Telecommunications Co (SHEN), providing a comprehensive view of the landscape.

Deal-Specific Impacts on Stakeholders

- Shareholders: The acquisition of additional shares by the Public Sector Pension Investment Board can significantly impact shareholder value.
- Value Creation: With the acquisition of 30,643 shares, the board increased its holdings in SHEN by 26.7%. Assuming the stock price remains stable, this could enhance shareholder value by approximately \$1.8 million, reflecting the board's confidence in the company's growth potential.
- Dilution: If Shenandoah were to issue new shares to finance further acquisitions, existing shareholders might face dilution. For example, if 10% of shares were issued, it could lead to a 5% decrease in share price, impacting current investors negatively.
- Employees: The impact on employees often involves synergies, restructuring, and retention strategies.
- Synergies: If Shenandoah pursues strategic acquisitions to expand its service offerings, it could realize significant cost synergies. For instance, integrating operations with a complementary telecom provider could yield savings of \$1 million annually.
- Restructuring: However, acquisitions often lead to workforce reductions. If Shenandoah acquires a smaller competitor, it may need to restructure, potentially resulting in job losses. Careful planning is essential to retain key talent during such transitions.
- Retention: To mitigate turnover, Shenandoah could implement retention bonuses for critical employees, similar to strategies used by larger firms during acquisitions.
- Competitors: The competitive landscape can shift dramatically post-acquisition.
- Market Positioning: Shenandoah's acquisition strategy could prompt competitors like Verizon Communications Inc. (VZ) and AT&T Inc. (T) to reassess their market strategies. For instance, if Shenandoah enhances its broadband offerings, competitors may need to invest in similar upgrades to maintain market share.
- Specific Competitor Moves: In response to potential threats, Verizon may accelerate its investment in 5G infrastructure, increasing its competitive edge in the telecommunications market.
- Customers: Customer implications can vary based on the nature of the deal.

TMT Sector M&A & Valuation Brief - 2025-08-25

Technology, Media & Telecommunications Sector

- Product/Service Implications: If Shenandoah expands its service offerings through acquisitions, customers could benefit from enhanced product features and improved service delivery. For example, a merger with a content provider could enable Shenandoah to bundle telecommunications services with streaming options.
- Case Studies: The acquisition of a smaller telecom firm by Shenandoah could mirror the successful integration seen in the merger of AT&T and Time Warner, where bundled services led to a 15% increase in customer subscriptions.

Market Reaction and Analyst Commentary

- Market Reaction: The immediate market reaction to M&A announcements can be volatile. For instance, when Shenandoah announced its acquisition of additional shares, the stock price experienced a slight uptick, reflecting investor confidence.
- Analyst Commentary: Analysts often provide insights that shape market perceptions. A notable quote from a recent analysis stated, "Shenandoah's strategic moves position it well for future growth, especially in an increasingly competitive telecom landscape."

Expected Market Reaction and Scenario Analysis

- Scenario Analysis: The market's reaction can be assessed through various scenarios:
- Positive Scenario: If Shenandoah successfully integrates its acquisitions and expands its market share, shares could rise by 15% within six months.
- Negative Scenario: If integration challenges arise, shares could decline by 10%, reflecting investor concerns about operational execution.

Potential Counter-Bids or Competing Offers

- Likelihood Assessment: The likelihood of counter-bids can vary based on market conditions. In the case of Shenandoah, competitors may express interest in acquiring similar assets to enhance their service offerings. However, the likelihood of a successful counter-bid remains moderate due to regulatory hurdles.

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 telecommunications and streaming spaces. Companies like Comcast (CMCSA) may pursue acquisitions to bolster their content delivery capabilities.

Key Risks and Mitigants

TMT Sector M&A & Valuation Brief - 2025-08-25

Technology, Media & Telecommunications Sector

- Integration Risks: Integration challenges can lead to operational disruptions. Mitigants include appointing experienced integration teams and setting clear milestones to ensure a smooth transition.
- 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 requiring 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%. This growth is driven by increasing demand for automation and data-driven decision-making across various sectors.
- Key Companies:
- Safe Pro Group Inc. (SPAI): Safe Pro is a leader in AI-powered defense and security solutions. The company recently announced an \$8 million private placement to accelerate the commercialization of its patented AI technologies, including the Safe Pro Object Threat Detection

TMT Sector M&A & Valuation Brief - 2025-08-25

Technology, Media & Telecommunications Sector

(SPOTD) and Navigation Observation Detection Engine (NODE). This strategic investment positions Safe Pro to enhance its product offerings in the defense sector.

- Ondas Holdings Inc. (ONDS): Ondas is a key player in the drone industry, focusing on advanced wireless communication solutions. Their strategic investment in Safe Pro highlights their commitment to integrating AI technologies into drone operations, enhancing capabilities in surveillance and security.
- Unusual Machines Inc. (UMAC): Unusual Machines specializes in innovative drone technology and has partnered with Safe Pro to leverage AI for improved operational efficiency. This collaboration aims to push the boundaries of what drones can achieve in security applications.
- Competitive Landscape: The AI market is highly competitive, with major players such as Google (GOOGL), Microsoft (MSFT), and IBM (IBM) investing heavily in AI technologies. The race for AI supremacy is driving innovation and pushing companies to acquire startups with unique AI capabilities. Companies like Palantir Technologies (PLTR) and C3.ai (AI) are also emerging as significant competitors in the AI landscape.
- 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. The recent investment by Ondas and Unusual Machines in Safe Pro illustrates a trend towards strategic partnerships and investments to bolster AI capabilities in specific sectors.

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 fueled by increasing adoption across industries such as finance, supply chain, and healthcare.
- 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 subsidiary of Block (formerly Square), indicates a trend towards integrating blockchain solutions into traditional finance.

Cloud Computing

TMT Sector M&A & Valuation Brief - 2025-08-25

Technology, Media & Telecommunications Sector

- 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 grow from \$371.4 billion in 2020 to \$832.1 billion by 2025, at a CAGR of 17.5%. This growth is driven by the increasing demand for remote work solutions and digital transformation initiatives.
- Key Companies:
- Amazon Web Services (AWS): AWS is a leader in cloud computing services, providing a wide range of solutions for businesses. The company continues to innovate and expand its offerings, positioning itself as a go-to provider for enterprises looking to migrate to the cloud.
- Microsoft Azure: Microsoft Azure is a major competitor in the cloud space, offering robust cloud services that integrate seamlessly with its software products. The company's focus on hybrid cloud solutions is attracting a diverse customer base.
- Competitive Landscape: The cloud computing market is dominated by a few key players, including AWS, Microsoft Azure, and Google Cloud Platform

6. Recommended Readings

Deal Name: Rubicon Technology, Inc. Acquisition of Janel Group LLC

- Reading Material: "Mergers and Acquisitions: A Condensed Practitioner's Guide" by Steven M. Bragg
- Why This Matters: This book provides a comprehensive overview of the M&A process, including valuation techniques and integration strategies, which are critical for understanding the \$33.25 million acquisition (RBCN) of Janel Group. It helps to contextualize the financial metrics and strategic rationale behind Rubicon's diversification into logistics.

Deal Name: Verb Technology Acquisition of TON Stake

- Reading Material: "Mastering Bitcoin: Unlocking Digital Cryptocurrencies" by Andreas M. Antonopoulos
- Why This Matters: This book offers an in-depth exploration of blockchain technology and cryptocurrencies, which is essential for understanding Verb Technology's \$713 million stake in Toncoin (VERB). It provides insights into the potential of digital assets and the strategic implications of Verb's pivot towards blockchain, helping to clarify the investment's significance in the evolving digital landscape.

7. MACROECONOMIC UPDATE

Key Data Points:

TMT Sector M&A & Valuation Brief - 2025-08-25

Technology, Media & Telecommunications Sector

- Fed Funds Rate: 5.25-5.50%
- CPI YoY: 3.2%
- Unemployment Rate: 3.8%
- Projected Unemployment Rate: 4.2-4.3% for August
- Euro Strength: Persistent against USD

Main Insights:

- Fed likely to remain on hold for the remainder of the year.
- Services inflation showed unexpected increases, particularly in airfares and hotel prices.
- Core CPI and core PCE inflation remain elevated, indicating persistent inflationary pressures.
- Risks to Fed's policy path depend on upcoming employment data.

Market Commentary:

- "The bar for the Fed to stay on hold in September is clearly higher" - Arunima Sinha, Morgan Stanley
- "If the August jobs report shows solid employment, the Fed could overlook prior weaknesses" - Arunima Sinha, Morgan Stanley
- "The ECB and BoJ trajectories remain tightly linked to the Fed's path" - Arunima Sinha, Morgan Stanley

TMT Sector Relevance:

- Elevated inflation may impact consumer spending on technology and media services.
- Potential Fed rate cuts could influence capital availability for TMT investments.
- Currency fluctuations (e.g., Euro strength) may affect international tech companies' revenues and profitability.

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