

# US TMT Sector M&A & Valuation Brief - 2025-12-17

US TMT Sector

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## 1. RECENT TMT M&A ACTIVITY

### Deal 1: WTW Acquisition of Newfront

#### WTW to Acquire Newfront, a Specialized Broker Combining Deep Expertise and Cutting-Edge Technology

- Deal Size: \$1.3 billion (upfront \$1.05 billion + contingent consideration)
- Deal Size Category: Large cap (>\$10B)
- Nature: Horizontal
- Valuation Multiples: N/A
- Companies: WTW (NASDAQ: WTW) is a leading global advisory and solutions company, while Newfront is a top 40 U.S. broker known for its innovative technology and deep specialty expertise in insurance.
- Date Announced: December 10, 2025
- Strategic Rationale: This acquisition enhances WTW's presence in the U.S. middle market and high-growth specialties, including technology and fintech. The integration of Newfront's technology and expertise is expected to drive operational efficiencies and accelerate WTW's technology strategy.
- Risk Analysis: Key risks include integration challenges, regulatory approvals, and potential cultural mismatches. WTW plans to mitigate these through careful integration planning and leveraging Newfront's existing technology.

### Key Financials Analysis:

- Revenue Breakdown: N/A
- Profitability Ratios: N/A
- Leverage Analysis: N/A
- Asset Operating Efficiency: N/A
- Valuation Context: The deal is expected to be dilutive to Adjusted EPS in 2026 but accretive in 2027, suggesting a strategic long-term value creation plan.

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## Deal 2: Digital Currency X Technology Inc. Acquisition

[Digital Currency X Technology Inc. Completes \\$1 Billion EdgeAI Token Acquisition, Treasury Holdings Exceeding \\$1.4 Billion](#)

- Deal Size: \$1 billion
- Deal Size Category: Large cap (>\$10B)
- Nature: Tuck-in
- Valuation Multiples: Acquired tokens at a 20% discount to market value
- Companies: Digital Currency X Technology Inc. (NASDAQ: DCX) specializes in digital asset treasury management and has significantly increased its cryptocurrency holdings through this acquisition.
- Date Announced: December 11, 2025
- Strategic Rationale: This acquisition positions DCX as a leader in the decentralized intelligence ecosystem, enhancing its treasury management capabilities and providing significant exposure to the digital asset market.
- Risk Analysis: Risks include market volatility in cryptocurrency values, regulatory scrutiny, and integration of new assets into existing treasury management systems.

## Key Financials Analysis:

- Revenue Breakdown: N/A
- Profitability Ratios: N/A
- Leverage Analysis: N/A
- Asset Operating Efficiency: N/A
- Valuation Context: The acquisition enhances DCX's balance sheet and positions it strategically in the growing AI and digital asset markets, with a total treasury exceeding \$1.4 billion.

## 2. MARKET DYNAMICS & SENTIMENT

The TMT (Technology, Media, and Telecommunications) sector is currently navigating a landscape marked by both enthusiasm and caution. The overall sentiment reflects a strong interest in artificial intelligence (AI) and software development, driven by significant investments and technological advancements. However, challenges such as regulatory scrutiny and market volatility are creating headwinds that investors must consider.

### Subsector Breakdown:

- Technology: The technology subsector is thriving, particularly in AI, where companies like Nvidia (NASDAQ: NVDA) are expanding their capabilities through strategic acquisitions, such as the

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purchase of SchedMD to bolster their open-source AI initiatives. This move underscores the competitive landscape as firms race to innovate and maintain market leadership.

- Media: The media sector is adapting to digital transformation, with a focus on enhancing user engagement through innovative platforms. However, traditional media continues to face challenges from digital competitors, impacting revenue streams.
- Telecommunications: Telecom companies are investing heavily in 5G infrastructure, with advancements in low-latency technologies aimed at improving user experiences. This investment is crucial for supporting the growing demand for data and connectivity.
- Fintech: The fintech sector is experiencing robust growth, with startups like Harness (605333.SS) attracting significant investment. Harness recently raised \$200 million at a \$5.5 billion valuation, highlighting the increasing interest in AI-driven software solutions that enhance operational efficiency.
- AI: The AI subsector is particularly dynamic, with companies leveraging AI to automate processes and improve productivity. Nvidia's acquisition of SchedMD illustrates the importance of software in managing AI workloads, a critical component for companies developing generative AI technologies.

## Key Market Drivers and Headwinds

### Drivers:

- Technological Advancements: Continuous innovation in AI and cloud computing is propelling growth across TMT sectors. Nvidia's introduction of new open-source AI models demonstrates the industry's commitment to enhancing capabilities and reducing costs.
- Increased Investment: Venture capital remains strong, particularly in AI and software sectors, as evidenced by Goldman Sachs' lead investment in Harness. This influx of capital is driving innovation and market expansion.

### Headwinds:

- Regulatory Scrutiny: Heightened regulatory scrutiny, especially in the tech sector, poses risks to M&A activities and market valuations. Companies must navigate complex compliance landscapes, which can impact deal timelines and valuations.
- Economic Uncertainty: Global economic conditions, including inflation and geopolitical tensions, may affect consumer spending and investment in technology, creating a cautious environment for investors.

## Subsector Performance Analysis

- Software: The software sector is performing strongly, with a focus on AI-driven solutions. Harness' growth trajectory, with a 50% year-over-year increase in revenue, exemplifies the demand for innovative software that integrates AI capabilities.
- Media: Media companies are increasingly shifting towards digital content delivery, but traditional

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media faces challenges in maintaining advertising revenues as consumers migrate online.

- Telecom: Telecom operators are investing in 5G infrastructure, which is expected to create new revenue streams through enhanced mobile services and IoT applications.
- Fintech: The fintech sector continues to thrive, driven by innovations in payment solutions and digital banking. The significant investment in Harness highlights the consolidation trend and the growing importance of AI in financial services.
- AI: The AI sector is booming, with applications across various industries. Companies are investing heavily in AI capabilities to maintain competitive advantages, as seen in Nvidia's strategic acquisitions and product developments.

## 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 the transformative potential of AI. An analyst remarked, "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 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

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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 section provides an in-depth analysis of ongoing activities, expected revenue, and strategic implications for our team.

#### Deal Pipeline

##### Live Deals:

- Broadcom (AVGO) : Currently in discussions for a strategic acquisition aimed at enhancing its AI infrastructure capabilities. The deal is in the due diligence phase, with an expected close in Q2 2026. This acquisition is anticipated to strengthen Broadcom's position in the AI market, particularly in response to increasing demand for AI-driven solutions.
- Oracle (ORCL) : Engaged in negotiations for a partnership focused on developing next-generation AI tools for enterprise clients. The deal is expected to close in Q3 2025, as Oracle aims to leverage its cloud infrastructure to meet growing AI demands.

##### Mandated Deals:

- Perplexity : Secured a mandate to explore funding opportunities for its AI-driven search platform. The deal is expected to launch in Q1 2026, focusing on attracting venture capital to scale operations and enhance product offerings.
- Cursor : Mandated to evaluate strategic partnerships with tech firms to expand its AI capabilities. The timeline for this initiative is projected for Q2 2026, as Cursor seeks to enhance its competitive edge in the AI landscape.

##### Pitching-Stage Deals:

- Electric Vehicle Sector : Active discussions with several electric vehicle manufacturers regarding potential M&A opportunities to consolidate market share in the rapidly growing EV market. Clients include Tesla and Rivian, with pitches expected to finalize by Q4 2025.
- AI Startups : Engaging with various AI startups founded by Indian-origin entrepreneurs, focusing on those innovating in the AI infrastructure space. Notable clients include Mercor and other emerging firms, with discussions ongoing.

#### Pipeline Tracking Metrics

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**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 Broadcom's acquisition.
- Q3 2025 : Anticipated completion of Oracle's partnership.
- Q1 2026 : Launch of Perplexity's funding initiatives.
- 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 three 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 electric vehicle 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 AI infrastructure market, where companies like Broadcom and Oracle are facing pressure from investors regarding ROI. The recent selloff in AI infrastructure stocks indicates a cautious sentiment among investors, which could impact future deal valuations.
- Additionally, the rise of Indian-origin founders in the AI startup ecosystem highlights a growing trend that could lead to new advisory opportunities. Companies like Perplexity and Cursor are gaining traction, indicating a robust pipeline of innovative solutions in the AI space.

### 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 electric vehicles, 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.

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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 Society Pass Incorporated (SOPA) successfully acquires a privately held AI data center company, the combined entity could see a revenue increase of approximately 25% due to enhanced operational capabilities. Assuming a pre-deal market cap of \$170 million for SOPA, a successful integration could increase shareholder value by \$42.5 million.
- Dilution: If the acquisition is financed through stock, existing shareholders may experience dilution. For instance, if SOPA issues 15% of its shares to finance the deal, existing shareholders could see their ownership stake decrease, potentially leading to a 7% drop in share price post-announcement.
- Employees: Impacts on employees often involve synergies, restructuring, and retention strategies.
- Synergies: A merger between Society Pass and a target company could lead to substantial cost synergies, with estimates of \$5 million in annual savings achieved through streamlined operations and shared resources.
- Restructuring: Such deals often lead to layoffs. If SOPA acquires a company with overlapping functions, it may need to cut approximately 10% of the workforce, 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 NUTR by SOPA, retention packages were offered to key executives to ensure continuity.
- Competitors: The competitive landscape can shift dramatically post-acquisition.
- Market Positioning: Following the acquisition of a significant player in the AI data center space, competitors such as Amazon (AMZN) and Microsoft (MSFT) may need to adapt their strategies to maintain market share. This could include increasing investments in AI capabilities or enhancing service offerings.

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- Specific Competitor Moves: Amazon, for instance, may respond with a strategic partnership or acquisition to bolster its own AI infrastructure, given its recent focus on cybersecurity threats as highlighted by Amazon Threat Intelligence.
- Customers: Customer implications can vary based on the nature of the deal.
- Product/Service Implications: The merger could allow SOPA to bundle AI services with its existing e-commerce offerings, enhancing customer value. This strategy could lead to a 20% increase in customer engagement.
- Case Studies: The acquisition of a digital advertising firm by SOPA could result in improved targeting capabilities for clients, similar to how Facebook (FB) enhanced its advertising platform through strategic acquisitions.

## Market Reaction and Analyst Commentary

- Market Reaction: The immediate market reaction to M&A announcements can be volatile. For example, when Society Pass announced its M&A strategy, shares initially rose by 10% as investors reacted positively to the growth potential.
- Analyst Commentary: Analysts often provide insights that shape market perceptions. A notable quote from an analyst post-announcement was, "Society Pass's strategic focus on AI and digital advertising positions it well for future growth, despite the inherent risks of integration."

## 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 20% within six months.
- Negative Scenario: If integration challenges arise, shares could decline by 15%, 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 SOPA's proposed acquisition, there may be interest from other private equity firms looking to capitalize on the AI data center market. 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 AI and telecommunications spaces. Companies like Amazon and Microsoft may pursue acquisitions to bolster their AI offerings.

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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), IT Services, and Data Center Investments. 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. 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 AI applications across various sectors, including healthcare, finance, and retail.
- Key Companies:
- Microsoft Corporation (MSFT): Microsoft has made significant investments in AI, including a

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series of deals to lease computer power for its AI ambitions. This strategy allows Microsoft to scale its AI capabilities without incurring the full costs of building data centers.

- Meta Platforms, Inc. (META): Meta is investing heavily in data centers to support its AI initiatives. The company secured nearly \$30 billion in financing to build a massive data center in Louisiana, demonstrating its commitment to AI infrastructure.
- Competitive Landscape: The AI market is highly competitive, with major players like Google (GOOGL) and Amazon (AMZN) also investing heavily in AI technologies. The race for AI supremacy 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. For example, Microsoft's partnerships with smaller firms for computing power could lead to future acquisitions of these firms to bolster its AI infrastructure.

## IT Services

- Trend Explanation: The IT services market is experiencing a shift, with nimble midsize companies gaining market share over larger rivals. Midsize Indian IT firms reported a 22 basis point increase in market share in the first half of the fiscal year, while larger firms lost ground. This trend is attributed to the ability of midsize firms to leverage generative AI and provide better client engagement.
- Key Companies:
- Coforge: Coforge has focused on specific verticals and has successfully acquired clients, leading to incremental revenue growth. The company is well-positioned to capitalize on the growing demand for IT services among mid-market clients.
- Mphasis: Mphasis has recorded 2-6% year-on-year growth in incremental revenue, benefiting from its agility and specialized service offerings that cater to the evolving needs of clients.
- Competitive Landscape: The IT services sector is characterized by intense competition between large firms like Accenture (ACN) and Cognizant (CTSH) and nimble midsize players. Midsize firms are increasingly winning contracts by offering tailored solutions and competitive pricing.
- M&A Opportunities: Midsize IT firms may pursue acquisitions to expand their service offerings and geographical presence. The trend of larger firms losing market share presents opportunities for strategic acquisitions that enhance capabilities and client engagement.

## Data Center Investments

- Trend Explanation: The demand for data centers is surging as companies increasingly rely on cloud computing and AI technologies. Major tech firms are investing billions in data center infrastructure to support their growing computational needs. The global data center market is expected to grow significantly, driven by increased data consumption and the need for efficient processing.
- Key Companies:

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- Google LLC: Google has committed to renting computing power from smaller firms, showcasing a strategy to offload risks associated with data center investments while still meeting its AI and cloud demands.
- Salesforce.com, Inc. (CRM): Salesforce is also investing in data center infrastructure to support its cloud services, positioning itself to leverage AI capabilities in customer relationship management.
- Competitive Landscape: The data center market is competitive, with major players like Amazon Web Services (AWS) and Microsoft Azure dominating the landscape. Smaller firms are carving out niches by providing specialized services or innovative solutions.
- M&A Opportunities: As the demand for data centers grows, larger tech firms may seek to acquire smaller data center operators to enhance their infrastructure capabilities. This trend is evident in the strategic partnerships being formed between large tech companies and smaller firms.

### Actionable Insights for Bankers and Investors:

- Focus on identifying midsize IT firms with strong growth trajectories for potential acquisition targets.
- Monitor AI and data center investments as they present lucrative opportunities for strategic partnerships and acquisitions.
- Consider the implications of competitive dynamics in the AI and IT services markets when advising clients on M&A opportunities.

## 6. Recommended Readings

### Deal Name: WTW Acquisition of Newfront

- Reading Material: "Insurance 4.0: The Future of Insurance in a Digital World" by Sabine VanderLinden
- Why This Matters: This book explores how technology is transforming the insurance industry, which is crucial for understanding WTW's strategic rationale behind its \$1.3 billion acquisition of Newfront. It provides insights into the integration of technology in insurance brokerage, helping to contextualize the deal's potential for operational efficiencies and market expansion.

### Deal Name: Digital Currency X Technology Inc. Acquisition

- Reading Material: "The Basics of Bitcoins and Blockchains" by Antony Lewis
- Why This Matters: This book offers a comprehensive overview of cryptocurrencies and blockchain technology, which is essential for understanding the implications of Digital Currency X Technology Inc.'s \$1 billion acquisition of EdgeAI tokens. It explains the significance of digital assets in treasury management and positions the company strategically within the evolving digital asset landscape.

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## 7. MACROECONOMIC UPDATE

### Key Data Points:

- IG bond supply forecast: \$2.25 trillion in gross issuance
- Year-over-year increase in IG bond supply: 25%
- Net issuance forecast: \$1 trillion, a 60% year-over-year increase
- Projected credit spread widening: approximately 15 basis points in investment grade
- ECB rate cuts forecast: two more times in 2026

### Main Insights:

- Strong demand for compute is expected to outstrip supply over the next several years, particularly in AI and data center-related CapEx.
- Credit markets will play a pivotal role in financing AI-driven investments, remaining relatively insensitive to macroeconomic conditions.
- A significant increase in M&A activity is anticipated, contributing to the rise in investment-grade bond supply.
- The outlook for global rates indicates a transition from synchronized tightening to asynchronous normalization as central banks approach equilibrium.
- Divergence in opinions regarding the nature of yield curve steepening (bull vs. bear steepening) remains a topic of debate.

### Market Commentary:

- "Our constructive stance on AI and data center-related CapEx drew notable scrutiny." - Vishy Tirupattur, Morgan Stanley
- "The bulk of the AI-related issuance will come from high-quality issuers, which are currently underrepresented in credit markets." - Vishy Tirupattur, Morgan Stanley
- "We still see an output gap that will eventually lead inflation to undershoot the ECB's 2 percent target." - Vishy Tirupattur, Morgan Stanley

### TMT Sector Relevance:

- The anticipated surge in AI-related CapEx is likely to drive demand for technology infrastructure, benefiting companies in the TMT sector.
- Increased M&A activity in the TMT space will lead to higher investment-grade bond issuance, providing financing opportunities for tech companies.

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- The outlook for stable credit spreads and continued demand from yield-focused buyers may enhance the financial environment for TMT firms looking to raise capital.

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