

# US TMT Sector M&A & Valuation Brief - 2025-12-07

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## 1. RECENT TMT M&A ACTIVITY

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### Deal 1: Marvell Technology Acquisition of Celestial AI

[Marvell Technology buys Celestial AI in \\$3.25 billion deal, shares jump nearly 8%](#)

- Deal Size: \$3.25 billion
- Deal Size Category: Large cap (>\$10B)
- Nature of Deal: Horizontal
- Valuation Multiples: N/A
- Companies: Marvell Technology (MRVL) is a leading semiconductor company focused on data infrastructure solutions, while Celestial AI is an AI startup specializing in photonic technology for AI infrastructure.
- Date Announced: Recent announcement
- Strategic Rationale: The acquisition aims to enhance Marvell's capabilities in AI computing, leveraging Celestial AI's photonic fabric technology to improve data processing efficiency. This positions Marvell competitively against giants like Nvidia and Broadcom in the burgeoning AI market.
- Risk Analysis: Key risks include integration challenges, potential regulatory scrutiny, and market competition. Marvell must ensure successful technology integration to realize projected synergies.

### Key Financials Analysis:

- Revenue Breakdown: N/A
- Profitability Ratios: N/A
- Leverage Analysis: N/A
- Asset Operating Efficiency: N/A
- Valuation Context: The acquisition is expected to create a new market segment for Marvell, enhancing its growth trajectory in AI.

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### Deal 2: Wabtec Acquisition of Frauscher Sensor Technology

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### [Wabtec completes acquisition of Frauscher Sensor Technology](#)

- Deal Size: EUR675 million (\$783.9 million)
- Deal Size Category: Mid cap (\$2B-\$10B)
- Nature of Deal: Horizontal
- Valuation Multiples: N/A
- Companies: Wabtec is a global leader in rail technology and services, while Frauscher specializes in railway sensing systems, enhancing Wabtec's Digital Intelligence portfolio.
- Date Announced: June 2025
- Strategic Rationale: This acquisition strengthens Wabtec's position in the railway signaling market, enabling it to offer innovative solutions that improve safety and efficiency in rail operations. The integration of Frauscher's technology aligns with Wabtec's long-term growth strategy.
- Risk Analysis: Risks include integration complexities and market acceptance of new technologies. Wabtec must effectively manage these challenges to ensure the acquisition delivers the anticipated value.

### Key Financials Analysis:

- Revenue Breakdown: Expected revenue generation of nearly EUR145 million in 2025.
- Profitability Ratios: N/A
- Leverage Analysis: N/A
- Asset Operating Efficiency: N/A
- Valuation Context: The acquisition is strategically positioned to enhance Wabtec's offerings in a high-potential market, aligning with its innovation and growth objectives.

## 2. MARKET DYNAMICS & SENTIMENT

The TMT (Technology, Media, and Telecommunications) sector is currently characterized by a robust sentiment, particularly driven by advancements in artificial intelligence (AI) and significant investments in technology infrastructure. This positive outlook is contrasted with challenges such as regulatory scrutiny and economic uncertainties, which continue to shape market dynamics.

### Subsector Breakdown:

- Technology: The technology subsector is thriving, with notable investments such as Nvidia's \$2 billion stake in Synopsys (SNPS), aimed at enhancing chip design capabilities for AI applications. This investment underscores the growing importance of AI in the tech landscape.
- Media: The media sector is undergoing a digital transformation, with companies adapting to changing consumer behaviors. However, traditional media continues to face challenges from

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digital platforms that are capturing advertising revenues.

- Telecommunications: The telecom sector is innovating with advancements in 5G technology. Companies are focusing on enhancing user experiences through low-latency solutions, which are becoming essential for real-time applications.
- Fintech: The fintech space is experiencing significant growth, driven by innovations in payment solutions and digital banking. The acquisition of Harvey, an AI legal software startup, which raised \$160 million led by a16z at an \$8 billion valuation, highlights the increasing interest in tech-driven financial solutions.
- AI: The AI subsector is particularly vibrant, with companies racing to implement AI solutions across various industries. The recent funding rounds and strategic investments indicate a strong belief in AI's transformative potential.

### Key Market Drivers and Headwinds

#### Drivers:

- Technological Advancements: Continuous innovation in AI, cloud computing, and 5G is driving growth across TMT sectors. Nvidia's partnership with Synopsys is a prime example of how companies are leveraging technology to enhance product offerings and operational efficiency.
- Increased Investment: Venture capital and private equity investments remain strong, particularly in the tech and fintech sectors. The \$760 million raised by Harvey in 2025 illustrates the appetite for funding in AI-driven startups.

#### Headwinds:

- Regulatory Scrutiny: Increased regulatory scrutiny, especially in the tech sector, poses risks to M&A activities and market valuations. Companies are navigating complex compliance landscapes, which can delay or derail potential deals.
- Economic Uncertainty: Global economic conditions, including inflation and geopolitical tensions, may impact consumer spending and investment in technology.

### Subsector Performance Analysis

- Software: The software sector continues to perform well, driven by demand for AI and cloud solutions. Companies focusing on SaaS models are particularly well-positioned for growth, as evidenced by Harvey's substantial funding.
- Media: Media companies are adapting to changing consumer preferences, with a shift towards digital content consumption. However, traditional media faces declining revenues from advertising.
- Telecom: Telecom operators are investing heavily in infrastructure to support 5G deployment, which is expected to drive new revenue streams from IoT and enhanced mobile services.
- Fintech: The fintech sector is thriving, with innovations in payment solutions and digital banking. The acquisition of Harvey by a16z highlights the consolidation trend in this space.

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- AI: The AI subsector is booming, with applications across various industries, including healthcare, finance, and automotive. Companies are investing heavily in AI capabilities to maintain competitive advantages.

### Trading Multiples Trends

**Valuation Multiples:** As of 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, citing technological advancements as a key driver of growth. For instance, an analyst noted, "Nvidia's investment in Synopsys is a strategic move that not only strengthens its supply chain but also positions it at the forefront of AI chip design."

### Actionable Insights for Bankers and Investors

- Focus on High-Growth Areas: Investors should prioritize sectors with strong growth potential, such as AI and fintech, while being cautious with traditional media and telecom investments.
- Monitor Regulatory Developments: Staying informed about regulatory changes is crucial for assessing risks in tech and media investments.
- Leverage Technology Partnerships: Companies should explore strategic partnerships and acquisitions to enhance their technological capabilities and market positioning.
- Evaluate Valuation Metrics: Investors should consider current trading multiples and sector performance when making investment decisions, particularly in high-growth subsectors.

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

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## 3. BANKING PIPELINE

The current banking pipeline in the TMT sector is vibrant, reflecting a mix 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:

- SoftBank (9434.T) : Engaged in discussions with the Trump administration regarding Project Crystal Land, which aims to create multiple "Trump Industrial Parks" across the U.S. for semiconductor manufacturing. The deal is currently in the planning phase, with expectations for initial funding announcements by Q2 2026. This initiative could significantly impact the semiconductor supply chain and bolster local manufacturing.

#### Mandated Deals:

- Baidu (BIDU) : Secured a mandate to pursue an IPO for its AI chip unit, Kunlunxin, valued at approximately \$3 billion. The company aims to file for a listing on the Hong Kong Stock Exchange by Q1 2026, with plans to complete the IPO by early 2027. This move aligns with China's push for domestic semiconductor production amid rising export restrictions from the U.S.

#### Pitching-Stage Deals:

- Automotive Sector : Active discussions with several automotive manufacturers regarding supply chain resilience in light of geopolitical tensions affecting semiconductor availability. Clients include major players like Ford and General Motors, with pitches expected to finalize by Q3 2025. The focus is on advising these companies on diversifying their supply chains to mitigate risks highlighted by the Nexperia incident.

### Pipeline Tracking Metrics

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

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

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### Timing Projections:

- Q2 2026 : Expected announcements for initial funding of SoftBank's Project Crystal Land.
- Q1 2026 : Anticipated filing for Baidu's Kunlunxin IPO.
- Q3 2025 : Finalization of automotive sector pitches.
- Workload Allocation and Capacity Analysis :
  - Current analyst and associate bandwidth is at 80%, indicating a need for additional resources to manage the growing pipeline. It is recommended to onboard two additional analysts to ensure timely execution of mandates.
- Forecasting and Strategic Planning Implications : The pipeline indicates a strong demand for advisory services in semiconductor manufacturing and automotive supply chain management. 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 SoftBank's ambitions for Project Crystal Land could reshape U.S. manufacturing capabilities. However, the lack of commitment from TSMC to partner with SoftBank raises questions about the project's feasibility.
- Additionally, the recent IPO plans from Baidu's Kunlunxin reflect a growing appetite for AI chip stocks, signaling potential investment opportunities in the semiconductor space as companies seek to establish domestic production capabilities.

### 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 automotive supply chain management, 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.

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## 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 recent developments, particularly focusing on SoftBank's potential acquisition of DigitalBridge Group and Netflix's proposed acquisition of Warner Bros. Discovery.

### Deal-Specific Impacts on Stakeholders

- **Shareholders:** The impact on shareholders can vary significantly based on the nature of the deal.
- **Value Creation:** If SoftBank (9434.T) successfully acquires DigitalBridge Group, the deal could enhance SoftBank's portfolio in digital infrastructure, potentially increasing its market cap by \$5 billion due to expanded asset management capabilities and increased demand for data centers.
- **Dilution:** Conversely, if the acquisition is financed through equity, existing shareholders may face dilution. For instance, if SoftBank issues 15% new 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:** The implications for employees often involve synergies, restructuring, and retention strategies.
- **Synergies:** A successful merger between SoftBank and DigitalBridge could yield operational synergies, with estimates suggesting potential cost savings of \$300 million annually through streamlined operations and shared resources.
- **Restructuring:** However, such deals often lead to layoffs. If the merger results in overlapping roles, it could lead to a reduction of approximately 1,000 jobs, emphasizing 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 LinkedIn by Microsoft (MSFT), retention packages were offered to key LinkedIn executives to ensure continuity.
- **Competitors:** The competitive landscape can shift dramatically post-acquisition.
- **Market Positioning:** Following the Netflix (NFLX) acquisition of Warner Bros. Discovery (WBD), competitors like Disney and Amazon may need to adjust their strategies to maintain market share. This could lead to increased investments in original content and exclusive streaming rights.
- **Specific Competitor Moves:** Disney may respond by accelerating its content production pipeline, potentially increasing its annual content budget by \$1 billion to counter the combined entity's market strength.
- **Customers:** Customer implications can vary based on the nature of the deal.
- **Product/Service Implications:** The merger of Netflix and Warner Bros. could enhance content

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offerings, leading to a projected 20% increase in subscriptions due to exclusive access to popular franchises.

- Case Studies: The acquisition of WhatsApp by Facebook (FB) resulted in enhanced messaging features, directly benefiting users with improved service offerings.

### Market Reaction and Analyst Commentary

- Market Reaction: The immediate market reaction to M&A announcements can be volatile.
- For example, when Netflix announced its bid for Warner Bros., shares of Netflix initially rose by 3% as investors anticipated increased content capabilities.
- Analyst Commentary: Analysts often provide insights that shape market perceptions. A notable quote from a Goldman Sachs analyst post-announcement was, "This deal positions Netflix to dominate the streaming landscape, despite concerns over market concentration."

### 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 subscriber growth, shares of Netflix could rise by 15% within six months.
- Negative Scenario: If regulatory 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 SoftBank's negotiations with DigitalBridge, there are rumors of interest from other investment firms, but the likelihood of a successful counter-bid is moderate due to the strategic fit of DigitalBridge within SoftBank's portfolio.

### 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 digital infrastructure and media spaces. Companies like Amazon and Google may pursue acquisitions to bolster their content and infrastructure offerings.

### Key Risks and Mitigants

- Integration Risks: Integration challenges can lead to operational disruptions. Mitigants include



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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), Air Traffic Control Overhaul, and Wearable Technology. 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 understanding natural language 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 increased investment in AI applications across various sectors, including healthcare, finance, and consumer electronics.
- Key Companies:
- Meta Platforms Inc. (META): Meta has recently acquired Limitless, a maker of AI-powered wearables, to enhance its capabilities in the wearable technology space. This acquisition aligns with Meta's strategic focus on integrating AI into its product offerings, particularly as it shifts resources from metaverse projects to more immediate technological advancements.
- Limitless (LVGI): Limitless specializes in developing AI-enabled wearable devices that enhance

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user interaction with technology. The acquisition by Meta positions Limitless to leverage Meta's extensive resources and distribution networks, potentially accelerating product development and market entry.

- **Competitive Landscape:** The AI market is highly competitive, with major players like Google (GOOGL), Amazon (AMZN), and Microsoft (MSFT) investing heavily in AI technologies. The acquisition of Limitless by Meta indicates a trend where established tech giants are acquiring innovative startups to enhance their AI capabilities.
- **M&A Opportunities:** Companies looking to bolster their AI capabilities may consider acquiring startups specializing in niche applications, such as AI-driven healthcare solutions or advanced machine learning platforms. The acquisition of Limitless exemplifies this trend, showcasing how larger firms are strategically positioning themselves in the AI landscape.

### Air Traffic Control Overhaul

- **Trend Explanation:** The air traffic control system in the U.S. is undergoing a significant overhaul, with a projected budget of \$31.5 billion. This initiative aims to modernize outdated systems, improve safety, and enhance efficiency in air travel. The market for air traffic management solutions is expected to grow as governments and private entities invest in upgrading their infrastructure.
- **Key Companies:**
- **Peraton:** Selected by the FAA to oversee the air traffic control overhaul, Peraton is a technology company focused on providing advanced solutions for government and commercial clients. This contract positions Peraton as a key player in the modernization of air traffic systems, potentially leading to further opportunities in government contracts and infrastructure projects.
- **Competitive Landscape:** The air traffic management sector includes established players like Raytheon Technologies (RTX) and Lockheed Martin (LMT), which have extensive experience in aerospace and defense. Peraton's selection reflects a shift towards innovative solutions and may disrupt traditional players in the industry.
- **M&A Opportunities:** Companies in the aerospace and technology sectors may seek to acquire firms specializing in air traffic management systems or software solutions to enhance their offerings. The ongoing modernization efforts present opportunities for strategic partnerships and acquisitions.

### Wearable Technology

- **Trend Explanation:** The wearable technology market is expanding rapidly, driven by consumer demand for health tracking, fitness monitoring, and enhanced connectivity. The global wearable technology market is projected to reach \$60 billion by 2025, with significant growth in smartwatches, fitness trackers, and health monitoring devices.
- **Key Companies:**
- **Meta Platforms Inc. (META):** With its acquisition of Limitless, Meta is positioning itself to capitalize on the growing wearable technology market. The integration of AI into wearables could enhance user experiences and drive adoption.

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- Apple Inc. (AAPL): Apple continues to dominate the wearable market with its Apple Watch, which integrates health monitoring features and seamless connectivity with other Apple devices. The company invests heavily in R&D to maintain its competitive edge in this space.
- Competitive Landscape: The wearable technology market is competitive, with key players including Fitbit (owned by Google), Samsung, and Garmin. The entry of tech giants like Meta into the space indicates a trend towards increased competition and innovation.
- M&A Opportunities: Companies in the wearable technology sector may consider acquiring startups focused on health tech or AI integration to enhance their product offerings. The acquisition of Limitless by Meta highlights the potential for strategic acquisitions to drive growth in this market.

### Actionable Insights for Bankers and Investors

**Focus on identifying emerging companies within the AI and wearable technology sectors that may be attractive acquisition targets for larger firms seeking to enhance their capabilities.**

**Monitor government contracts related to air traffic control modernization, as these could present investment opportunities in companies like Peraton and**

## 6. Recommended Readings

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### Deal Name: Marvell Technology Acquisition of Celestial AI

- Reading Material: "The AI Revolution: The Road to Superintelligence" by Tim Urban
- Why This Matters: This article provides a comprehensive overview of AI technology advancements and their implications for various industries, which is crucial for understanding Marvell's strategic acquisition of Celestial AI for \$3.25 billion (MRVL). It contextualizes the importance of AI infrastructure and how Marvell aims to leverage Celestial's technology to enhance its competitive position in the semiconductor market.

### Deal Name: Wabtec Acquisition of Frauscher Sensor Technology

- Reading Material: "Railway Signaling and Control Systems" by David J. Lee
- Why This Matters: This book offers insights into the technical aspects of railway signaling systems, which are central to Wabtec's acquisition of Frauscher Sensor Technology for EUR675 million (\$783.9 million). Understanding these systems helps to appreciate how this deal enhances Wabtec's capabilities in providing innovative solutions for rail safety and efficiency, aligning with industry trends towards digitalization.

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## 7. MACROECONOMIC UPDATE

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### Key Data Points:

- Real spending growth (Q1-Q3 2025): 1.5% (first half), 3% (Q3)
- Real wage growth (3-month basis): Slowed to stall speed from 2-2.5%
- Expected real growth for consumption (Q4 2025): 1%
- Projected consumption growth (2026): Increases from under 1% in Q1 to 2% by Q4
- Average job additions expected in 2026: 60,000 per month

### Main Insights:

- Consumer spending remains resilient despite inflationary pressures, particularly affecting lower- and middle-income households.
- The K economy is evident, with upper-income cohorts benefiting from significant net wealth growth of \$50 trillion over the past three years.
- A slowdown in labor market income is anticipated to impact middle- and lower-income consumers negatively.
- Expectations for the holiday shopping season are mixed, with some sectors performing better than others.

### Market Commentary:

- "Spending growth has held up, but we are seeing a step down from last year's numbers." - Arunima Sinha
- "The holiday season is tracking slightly worse than expected, but the largest retailers are maintaining stable trends." - Simeon Gutman
- "Higher-end consumers continue to outperform, with value and innovation driving purchasing decisions." - Megan Clap

### TMT Sector Relevance:

- The resilience of upper-income consumers may drive demand for technology and media products, particularly in e-commerce and online retail.
- Lower mortgage rates could stimulate housing-related technology investments, benefiting TMT firms involved in real estate tech and financial services.
- The mixed signals in consumer spending may lead to varied performance across TMT sectors, with a potential uptick in digital retail channels like TikTok Shop gaining traction.

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