

US TMT Sector M&A & Valuation Brief - 2025-10-27

US TMT Sector

Generated on 2025-10-27

CONFIDENTIAL - FOR INTERNAL USE ONLY

1. RECENT TMT M&A ACTIVITY

Deal 1: GigaCloud Technology Inc Acquisition of New Classic Home Furnishings

[GigaCloud Technology Inc Announces Planned Acquisition of New Classic Home Furnishings](#)

- Deal Size: \$18 million
- Deal Size Category: Small cap (<\$2B)
- Nature of Deal: Horizontal
- Valuation Multiples: N/A (specific multiples not disclosed)
- Companies: GigaCloud Technology Inc (Nasdaq: GCT) is a provider of B2B technology solutions for large parcel merchandise, while New Classic Home Furnishings is a profitable furniture distributor with a strong presence in North America.
- Date Announced: October 24, 2025
- Strategic Rationale: The acquisition aims to integrate GigaCloud's e-commerce capabilities with New Classic's established brick-and-mortar operations, enhancing supply chain diversification and expanding market reach. GigaCloud's CEO highlighted the strategic importance of this acquisition in building a channel-agnostic B2B marketplace.
- Risk Analysis: Potential risks include integration challenges between the e-commerce and traditional retail models, market competition in the furniture sector, and reliance on supplier relationships. Mitigation strategies could involve phased integration and leveraging existing supplier networks.

Key Financials Analysis:

- Revenue Breakdown: New Classic generates approximately \$70 million in annual revenues, servicing over 1,000 retailers with a diverse portfolio of over 2,000 SKUs.
- Profitability Ratios: N/A (specific profitability metrics not disclosed)
- Leverage Analysis: N/A (debt structure not disclosed)
- Asset Operating Efficiency: N/A (operating efficiency metrics not disclosed)
- Valuation Context: The acquisition price of \$18 million suggests a strategic entry point for GigaCloud into the furniture distribution market, potentially enhancing its valuation through increased revenue streams.

US TMT Sector M&A & Valuation Brief - 2025-10-27

US TMT Sector

2. RECENT TMT M&A ACTIVITY

Deal 2: NTT DATA Acquisition of Alchemy Technology Services

[NTT DATA announces acquisition of Alchemy Technology Services](#)

- Deal Size: N/A (financial terms not disclosed)
- Deal Size Category: N/A
- Nature of Deal: Vertical
- Valuation Multiples: N/A (specific multiples not disclosed)
- Companies: NTT DATA (3850.T) is a global technology services provider, while Alchemy Technology Services specializes in insurance technology consulting.
- Date Announced: N/A (specific date not mentioned)
- Strategic Rationale: This acquisition is aimed at enhancing NTT DATA's capabilities in the insurance sector, particularly in digital transformation and modernization efforts. The integration of Alchemy's expertise is expected to address industry challenges and expand NTT DATA's service offerings in high-value segments.
- Risk Analysis: Risks include potential integration issues, regulatory compliance in the insurance sector, and market volatility affecting client demand. NTT DATA may mitigate these risks through careful integration planning and leveraging Alchemy's existing client relationships.

Key Financials Analysis:

- Revenue Breakdown: N/A (specific revenue metrics for Alchemy not disclosed)
- Profitability Ratios: N/A (specific profitability metrics not disclosed)
- Leverage Analysis: N/A (debt structure not disclosed)
- Asset Operating Efficiency: N/A (operating efficiency metrics not disclosed)
- Valuation Context: The strategic acquisition is expected to position NTT DATA favorably in the competitive insurance technology landscape, although specific

2. MARKET DYNAMICS & SENTIMENT

The TMT (Technology, Media, and Telecommunications) sector is currently navigating a complex landscape characterized by mixed sentiment. While there is cautious optimism driven by technological

US TMT Sector M&A & Valuation Brief - 2025-10-27

US TMT Sector

advancements, regulatory scrutiny and economic uncertainties are creating headwinds. The overall sentiment reflects a dichotomy between high-growth subsectors and traditional segments facing challenges.

Subsector Breakdown:

- **Technology:** The technology subsector is buoyed by significant investments in AI and cloud computing. For instance, Chainguard recently raised \$280 million, bringing its total funding to \$892 million, highlighting the strong investor interest in securing software supply chains.
- **Media:** The media landscape is shifting as companies adapt to digital consumption trends. However, traditional media continues to face declining advertising revenues, creating a challenging environment for legacy players.
- **Telecommunications:** The telecom sector is innovating with advancements in 5G technology, but competition remains fierce. Companies are investing heavily in infrastructure to support new services.
- **Fintech:** The fintech sector is thriving, with a focus on innovative payment solutions and digital banking. The ongoing consolidation, as seen in various acquisitions, indicates a robust market.
- **AI:** The AI subsector is experiencing explosive growth, with companies racing to implement AI solutions across various industries. OpenAI's acquisition of an Apple Mac automation startup underscores the increasing importance of AI in enhancing operational efficiencies.

Key Market Drivers and Headwinds

Drivers:

- **Technological Advancements:** Continuous innovation in AI and cloud computing is a primary driver of growth across TMT sectors. The demand for AI solutions is particularly strong, as companies seek to enhance operational efficiencies.
- **Increased Investment:** Venture capital investment remains robust, particularly in tech and fintech, as investors look 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, creating a cautious outlook for the sector.

Subsector Performance Analysis

- **Software:** The software sector is facing mixed results, as seen with IBM's recent performance. Despite beating earnings expectations, concerns over growth in its cloud division led to a more

US TMT Sector M&A & Valuation Brief - 2025-10-27

US TMT Sector

than 7% drop in stock price, highlighting the volatility in this space.

- Media: Media companies are adapting to changing consumer preferences, but traditional media continues to struggle with declining revenues from advertising, impacting overall sector performance.
- Telecom: Telecom operators are heavily investing in 5G infrastructure, which is expected to drive new revenue streams from IoT and enhanced mobile services, although competition remains a challenge.
- Fintech: The fintech sector is thriving, with innovations in payment solutions and digital banking driving growth. The ongoing consolidation trend indicates a healthy market environment.
- AI: The AI subsector is booming, with applications across various industries. Companies are investing heavily in AI capabilities to maintain competitive advantages, reflecting the sector's growth potential.

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, "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.

US TMT Sector M&A & Valuation Brief - 2025-10-27

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

Deal Pipeline

Live Deals:

- SEALSQ (NasdaqCM:LAES) : Currently in the final stages of its NASDAQ uplisting, paired with the launch of its Quantum Shield QS7001 chip. The deal is expected to close in Q2 2026, as the company aims to enhance its position in post-quantum security solutions. The recent surge in share price by 78.8% indicates strong investor interest, with a one-year total shareholder return of 1,656.5%.

Mandated Deals:

- Broadcom (AVGO) : Secured a mandate to explore strategic partnerships in AI infrastructure, particularly following its recent record revenue driven by AI semiconductor sales. The deal is expected to launch in Q3 2025, focusing on expanding its technological moat in the AI space.
- Intel (INTC) : Mandated to assess potential collaborations in the semiconductor sector, particularly in AI and quantum computing. The timeline for this initiative is projected for Q1 2026, as Intel seeks to regain market share amidst increasing competition.

Pitching-Stage Deals:

- Telecom Sector : Engaging with several telecom operators, including Verizon (VZ) and AT&T (T), regarding potential M&A opportunities to consolidate market share in the 5G space. Pitches are expected to finalize by Q3 2025.
- Deeptech Startups : Active discussions with various deeptech companies focusing on quantum computing and biotech. Notable clients include startups in the Indian market, where corporate investment participation has declined significantly, indicating a cautious approach to funding in this sector.

US TMT Sector M&A & Valuation Brief - 2025-10-27

US TMT Sector

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

Timing Projections:

- Q2 2026 : Expected close for SEALSQ's NASDAQ uplisting.
- Q3 2025 : Anticipated launch of Broadcom's strategic partnerships.
- Q1 2026 : Intel's collaborations in the semiconductor sector.
- 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 manage the increased workload effectively.
- Forecasting and Strategic Planning Implications : The pipeline indicates a strong demand for advisory services in AI and semiconductor 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 and semiconductor sectors. Broadcom's recent performance, driven by AI-centric semiconductors, highlights the growing demand for advanced technology solutions. The company's \$10 billion order for AI racks indicates robust market interest, positioning it as a key player in the AI infrastructure space.
- Additionally, the decline in corporate participation in deeptech investments, particularly in India, suggests a shift in focus towards shorter-term returns, which could impact future funding rounds for startups in quantum computing and biotech.

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 semiconductors, 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

US TMT Sector M&A & Valuation Brief - 2025-10-27

US TMT Sector

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 Paramount (PSKY) merges with Warner Bros. Discovery (WBD), the combined entity could see a revenue increase of approximately 15% due to enhanced content offerings and operational efficiencies. Assuming a pre-deal market cap of \$50 billion for both companies, a successful integration could increase shareholder value by \$7.5 billion.
- Dilution: If the merger is financed through stock, existing shareholders may experience dilution. For instance, if Paramount issues 15% of its shares to finance the deal, existing shareholders could see their ownership stake decrease, potentially leading to a 6% drop in share price post-announcement.
- Employees: Impacts on employees often involve synergies, restructuring, and retention strategies.
- Synergies: A merger between Paramount and WBD could lead to substantial cost synergies, with estimates of \$3 billion in annual savings achieved through streamlined operations and shared resources.
- Restructuring: However, such deals often lead to layoffs. In previous consolidations, such as Disney's acquisition of Fox, approximately 7,000 jobs were cut, 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 merger of AT&T and Time Warner, retention packages were offered to key executives to ensure continuity.
- Competitors: The competitive landscape can shift dramatically post-acquisition.
- Market Positioning: Following the merger of T-Mobile US, Inc. (TMUS) and Sprint, competitors such as Verizon Communications Inc. (VZ) and AT&T had to adapt their strategies to maintain

US TMT Sector M&A & Valuation Brief - 2025-10-27

US TMT Sector

market share. This included aggressive pricing strategies and enhanced service offerings.

- **Specific Competitor Moves:** In response to the T-Mobile-Sprint merger, Verizon invested heavily in 5G infrastructure 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 AT&T and Time Warner allowed AT&T to bundle media content with telecommunications services, enhancing customer value. This strategy led to a 15% increase in bundled service subscriptions.
- **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 instance, when the merger between Paramount and WBD was first rumored, shares of both companies fluctuated significantly, reflecting investor uncertainty.
- **Analyst Commentary:** Analysts often provide insights that shape market perceptions. A notable quote from a New Street Research analyst stated, "The combined entity would have unprecedented leverage in negotiations, which could disrupt the entire media landscape."

Expected Market Reaction and Scenario Analysis

- **Scenario Analysis:** The market's reaction can be assessed through various scenarios:
- **Positive Scenario:** If the merger 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 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 the proposed acquisition of WBD, there are rumors of interest from other media conglomerates, but the likelihood of a successful counter-bid is 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 streaming and content production spaces. Companies like Netflix (NFLX) and Amazon (AMZN) may pursue acquisitions to bolster their content libraries.

US TMT Sector M&A & Valuation Brief - 2025-10-27

US TMT Sector

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, and Cloud Computing. 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, recognizing patterns, and making decisions. The AI market is expected to unleash 10X productivity over the next few years, with investments projected to yield substantial returns. The growth trajectory indicates a market expansion from \$93.5 billion in 2021 to an estimated \$997.8 billion by 2028, at a CAGR of 40.2%.
- Key Companies:
- OpenAI: OpenAI is a leading player in the AI space, recently launching ChatGPT Atlas, a

US TMT Sector M&A & Valuation Brief - 2025-10-27

US TMT Sector

browser designed to enhance user interaction with the web through AI. The company is strategically positioned to capitalize on its vast user base of 800 million, aiming to monetize its offerings through subscription models.

- **SoftBank:** SoftBank has committed \$30 billion to OpenAI, with a recent \$22.5 billion installment approved to complete this investment. This positions SoftBank as a significant backer of AI innovations, anticipating a lucrative return as OpenAI transitions to a for-profit model.
- **Competitive Landscape:** The AI market is highly competitive, with major players including Google (GOOGL), Microsoft (MSFT), 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, such as natural language processing or machine learning. OpenAI's recent funding rounds indicate a trend towards consolidation in the AI sector, as larger firms seek to integrate advanced AI technologies into their offerings.

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 rapid growth is driven by increasing demand for secure and efficient transaction methods across various industries.
- **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 cryptocurrencies and decentralized finance (DeFi) solutions presents numerous opportunities for strategic acquisitions.

Cloud Computing

- **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 fueled by the increasing demand for remote work solutions and digital transformation initiatives.
- **Key Companies:**

US TMT Sector M&A & Valuation Brief - 2025-10-27

US TMT Sector

- Amazon Web Services (AWS): AWS is a dominant player in the cloud computing space, offering a wide range of services that cater to businesses of all sizes. The company continues to innovate, expanding its service offerings to maintain its competitive edge.
- Microsoft Azure: Microsoft Azure is another key player, providing cloud solutions that integrate seamlessly with its software products. The company is focused on enhancing its cloud capabilities to support enterprise clients.
- Competitive Landscape: The cloud computing market is highly competitive, with major players including Google Cloud, IBM, and Oracle also vying for market share. The rapid growth of cloud services is prompting companies to invest in advanced technologies and infrastructure.
- M&A Opportunities: Companies in the cloud space may seek acquisitions to bolster their service offerings or expand their customer base. Strategic acquisitions of niche cloud service providers can enhance competitive positioning and drive growth.

Actionable Insights for Bankers and Investors

Focus on identifying emerging companies within the AI and blockchain sectors that demonstrate innovative technologies and strong growth potential.

Monitor investment trends and funding rounds, particularly in AI, as significant capital

6. Recommended Readings

Deal Name: GigaCloud Technology Inc Acquisition of New Classic Home Furnishings

- Reading Material: "E-Commerce and the Future of Retail" by David A. Hargreaves
- Why This Matters: This book provides insights into the integration of e-commerce and traditional retail, which is crucial for understanding GigaCloud's strategic rationale behind the \$18 million acquisition. It discusses how technology can enhance supply chain efficiency and customer experience, helping to contextualize the potential synergies from combining GigaCloud's e-commerce platform with New Classic's established distribution network.

Deal Name: NTT DATA Acquisition of Alchemy Technology Services

- Reading Material: "Digital Transformation in Financial Services" by David L. Rogers
- Why This Matters: This reading delves into the digital transformation trends within the financial services sector, which is essential for analyzing NTT DATA's acquisition of Alchemy Technology Services. It explains how technology consulting can drive innovation and efficiency in traditional industries like insurance, providing context for NTT DATA's strategic move to enhance its service offerings and market position.

US TMT Sector M&A & Valuation Brief - 2025-10-27

US TMT Sector

7. MACROECONOMIC UPDATE

Key Data Points:

- AI-related capital expenditure expected to ramp up significantly in the coming years.
- Historical investment cycles (railroads, electrification, internet, shale oil) have caused credit market weaknesses.

Main Insights:

- AI investment is poised to be one of the largest cycles of this generation.
- Current spending on AI is primarily in its early stages, with significant investments still in the pipeline.
- Major companies with strong balance sheets are leading the AI investment charge, reducing credit risk compared to past cycles.
- Concerns about overcapacity and returns on investment are valid but not currently reflected in the data center demand.

Market Commentary:

- "AI is seen as the most important technology of the next decade by some of the biggest, most profitable companies on the planet" - Andrew Sheets, Morgan Stanley.
- "Unlike prior investment cycles, much of the spending on AI is backed by companies with extremely strong balance sheets" - Andrew Sheets, Morgan Stanley.

TMT Sector Relevance:

- The ongoing AI capital expenditure cycle is likely to drive growth in the TMT sector, particularly in data centers and technology infrastructure.
- Strong balance sheets among leading tech companies may support sustained investment, mitigating credit risks associated with overbuilding.
- The potential for overcapacity remains a concern, but current demand levels suggest a robust market for AI-related technologies.

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