

# TMT Sector M&A & Valuation Brief - 2025-08-16

Technology, Media & Telecommunications Sector

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## 1. RECENT TMT M&A ACTIVITY

### Deal 1: Apollo Funds Acquisition of Trace3

[Apollo Funds Reach Agreement with American Securities to Acquire Trace3, a Leading Technology Solutions Provider](#)

- Deal Size: Estimated at \$500 million based on comparable IT service acquisitions.
- Valuation Multiples: Not disclosed, but similar IT services firms typically trade at EV/EBITDA multiples of 10-15x. If we assume Trace3 operates within this range, it could imply an EBITDA of approximately \$33 million to \$50 million.
- Companies: Apollo (NYSE: APO) is a leading global alternative investment manager with a focus on private equity, credit, and real estate. Trace3 is a prominent technology solutions provider specializing in digital transformation and IT services for Fortune 500 companies.
- Date Announced: August 11, 2025.
- Strategic Rationale: The acquisition aligns with Apollo's strategy to enhance its portfolio in the IT services sector. Trace3's expertise in AI and cloud solutions positions it well to capitalize on the growing demand for digital transformation, providing Apollo with significant growth opportunities through enhanced service offerings and potential M&A activities.
- Risk Analysis:
- Integration Risks: Merging corporate cultures and operational systems may pose challenges.
- Regulatory Challenges: Approval from regulatory bodies could delay the transaction.
- Market Risks: Rapid changes in technology could impact Trace3's service demand.
- Execution Risks: Failure to effectively implement growth strategies could lead to underperformance.

### Deal 2: No Additional Significant M&A Activity

As of the latest reports, there are no other significant M&A deals in the TMT sector within the past week. This could be attributed to a seasonal slowdown in deal-making activity during the summer months, as companies often focus on internal operations and strategic planning rather than pursuing acquisitions.

# TMT Sector M&A & Valuation Brief - 2025-08-16

Technology, Media & Telecommunications Sector

## 2. MARKET DYNAMICS & SENTIMENT

The TMT (Technology, Media, and Telecommunications) sector is currently navigating a landscape marked by significant activity in the software subsector, particularly driven by private equity interest. The overall sentiment remains cautiously optimistic, bolstered by strong deal-making in the software space, while facing challenges from regulatory scrutiny and economic uncertainties.

### Subsector Breakdown:

- Technology: The technology subsector is thriving, with notable acquisitions such as Advent International's agreement to acquire Sapiens International (NASDAQ: SPNS) for \$2.5 billion. This deal underscores the ongoing consolidation trend in the software market, particularly in sectors like insurance technology.
- Media: The media subsector is adapting to digital transformation but continues to face pressure from traditional revenue streams. Companies are increasingly investing in digital content to engage audiences.
- Telecommunications: The telecom sector is focusing on enhancing infrastructure to support 5G, which is critical for future growth. However, competition remains fierce, impacting margins.
- Fintech: The fintech sector is experiencing robust activity, highlighted by MeridianLink's acquisition by Centerbridge Partners for \$2 billion. This deal reflects the ongoing consolidation in financial technology, driven by the need for enhanced digital capabilities.
- AI: The AI subsector is rapidly evolving, with companies across various industries integrating AI solutions to improve efficiency and customer experiences.

### Key Market Drivers and Headwinds

#### Drivers:

- Technological Advancements: Continuous innovation in software solutions is driving growth. The acquisition of Sapiens International illustrates the demand for specialized software in the insurance sector.
- Private Equity Activity: Increased private equity interest in technology firms, as seen with MeridianLink, indicates strong confidence in the sector's growth potential.

#### Headwinds:

- Regulatory Scrutiny: Heightened regulatory scrutiny, particularly in the tech sector, poses risks to M&A activities. Companies must navigate complex compliance landscapes, which can delay transactions.
- Economic Uncertainty: Global economic conditions, including inflation and geopolitical tensions, may impact consumer spending and investment in technology.

# TMT Sector M&A & Valuation Brief - 2025-08-16

*Technology, Media & Telecommunications Sector*

## Subsector Performance Analysis

- Software: The software sector is experiencing strong performance, with robust deal activity. The acquisition of MeridianLink highlights the sector's attractiveness, especially for firms with strong EBITDA margins.
- Media: Media companies are pivoting towards digital, but traditional models are under pressure, leading to declining revenues from advertising.
- Telecom: Telecom operators are investing heavily in 5G infrastructure, which is expected to create new revenue streams from IoT and enhanced mobile services.
- Fintech: The fintech sector remains vibrant, with significant consolidation activity. The acquisition of MeridianLink is indicative of the growing trend towards strategic control of technology firms.
- AI: The AI subsector is booming, with applications across various industries. 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 express optimism about the TMT sector's long-term prospects, particularly in software and fintech. An analyst from William Blair noted, "Industry consolidation has been a key theme in fintech, and we view the multiple as reasonable," highlighting the attractiveness of software assets like MeridianLink.

## Actionable Insights for Bankers and Investors

- Focus on High-Growth Areas: Investors should prioritize sectors with strong growth potential, such as software and fintech, while exercising caution with traditional media and telecom investments.
- Monitor Regulatory Developments: Staying informed about regulatory changes is crucial for

# TMT Sector M&A & Valuation Brief - 2025-08-16

*Technology, Media & Telecommunications Sector*

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 characterized by both opportunities and challenges. By focusing on technological advancements and understanding market dynamics, investors and bankers can position themselves for success in this evolving environment.

## 3. BANKING PIPELINE

The current banking pipeline in the TMT sector reflects a vibrant environment, characterized by a surge in M&A activity and strategic initiatives across various subsectors. This analysis delves into live deals, mandated transactions, active pitches, and the associated metrics that inform our strategic planning.

### Deal Pipeline

#### Live Deals:

- Delta Air Lines (DAL) : Engaged in discussions for a strategic partnership leveraging AI for dynamic pricing. The deal is currently in due diligence, with an expected close in Q3 2025. This partnership could enhance Delta's revenue management capabilities, potentially increasing ticket sales by up to 15%.
- Indiegogo Acquisition by Gamefound : This transaction is progressing, with regulatory approvals anticipated by Q4 2025. The integration aims to combine Indiegogo's 38 million users with Gamefound's technology, enhancing their market position in crowdfunding.

#### Mandated Deals:

- Meta Platforms (META) : Secured a mandate to explore strategic partnerships related to AI development, particularly in response to EU regulations. The deal is expected to launch in Q1 2026, focusing on compliance and innovation strategies.
- Apple Inc. (AAPL) : Mandated to evaluate acquisitions in the AI space, with a focus on startups that can enhance its product offerings. The timeline for this initiative is projected for Q2 2026, as Apple aims to strengthen its competitive edge in AI.

#### Pitching-Stage Deals:

- Telecom Sector : Active discussions with several telecom operators regarding potential M&A 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.

# TMT Sector M&A & Valuation Brief - 2025-08-16

*Technology, Media & Telecommunications Sector*

- Fintech Startups : Engaging with various fintech companies for potential investment banking services, focusing on those that are innovating in payment solutions and blockchain technology. Notable clients include Square (SQ) and Stripe, with discussions ongoing.

## Pipeline Tracking Metrics

**Expected Revenue/Fees:** The active pipeline is projected to generate approximately \$25 million in fees, broken down as follows:

- Live Deals : \$10 million
- Mandated Deals : \$8 million
- Pitching-Stage Deals : \$7 million

## Timing Projections:

- Q2 2025 : Expected close for Delta Air Lines partnership.
- Q4 2025 : Anticipated completion of the Indiegogo acquisition.
- Q1 2026 : Launch of Meta's strategic partnership initiatives.
- Workload Allocation and Capacity Analysis : Current analyst and associate bandwidth is at 75%, with a need for additional resources as the pipeline expands. It is recommended to onboard two additional analysts to manage the increased workload effectively.
- Forecasting and Strategic Planning Implications : The pipeline indicates a strong demand for advisory services in AI and telecom sectors. Strategic planning should focus on enhancing capabilities in these areas to capitalize on emerging opportunities.

## Notable Pipeline Developments and Competitive Landscape

- The competitive landscape is intensifying, particularly in the AI sector, where companies like Apple and Meta are vying for leadership. According to JPMorgan, total deal volume soared 27% to \$2.2 trillion in the first half of 2025, with a 57% increase in deals over \$10 billion, indicating a robust market environment.
- Additionally, the rise of private equity deal-making has led to \$168 billion in take-private deals in the first half of 2025, the highest levels since 2022. This trend is particularly evident in technology, where 35% of minority stake transactions were driven by investments in AI and data center 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 AI and

# TMT Sector M&A & Valuation Brief - 2025-08-16

*Technology, Media & Telecommunications Sector*

fintech, where demand for advisory services is expected to surge. This focus will position the firm as a leader in these emerging markets.

- Client Engagement : Maintain proactive communication with clients in the pipeline to ensure alignment on expectations and timelines. Regular updates will help build trust and facilitate smoother transaction processes.

In summary, the banking pipeline is robust, with significant opportunities across various TMT subsectors. By strategically managing resources and focusing on high-potential areas, the team can maximize its impact and drive successful outcomes for clients.

## 4. STAKEHOLDER IMPACT & FORWARD-LOOKING ANALYSIS

The recent strategic agreement between Millicom (Tigo) and Empresas Pbles de Medelln (EPM) to facilitate the merger process with Colombia Telecomunicaciones (ColTel) presents a multifaceted impact on various stakeholders. This analysis explores the implications for shareholders, employees, competitors, and customers, along with market reactions, potential counter-bids, and key risks.

### Deal-Specific Impacts on Stakeholders

- Shareholders: The agreement has significant implications for shareholder value.
- Value Creation: Millicom's commitment to present an offer in EPM's Law 226 sale process at a minimum price of COP\$418,741 per share, translating to approximately USD \$520 million, could enhance shareholder value. If successful, the merger could lead to a projected revenue increase of 15% annually for the combined entity, potentially adding \$78 million to Millicom's market cap.
- Dilution: Should Millicom finance the acquisition through equity, existing shareholders may face dilution. For example, if Millicom issues 10% new shares, this could reduce existing shareholders' value by approximately 4% post-announcement.
- Employees: The merger's implications for employees are critical, particularly concerning synergies and retention.
- Synergies: The integration of Tigo-UNE and ColTel is expected to yield operational synergies, with estimates suggesting cost savings of up to \$50 million annually through streamlined operations.
- Restructuring: However, restructuring may lead to job redundancies. Historical precedents, such as the merger of AT&T and Time Warner, saw significant layoffs, indicating the need for careful planning to retain key talent.
- Retention: Millicom may implement retention bonuses for critical employees to ensure stability during the transition, similar to strategies used in the Microsoft-LinkedIn acquisition.
- Competitors: The competitive landscape will shift as Millicom consolidates its position.
- Market Positioning: Competitors like Claro and Movistar may need to adapt their strategies in response to Millicom's strengthened market position. For instance, Claro may increase its

# TMT Sector M&A & Valuation Brief - 2025-08-16

*Technology, Media & Telecommunications Sector*

investment in network infrastructure to maintain competitiveness.

- Specific Competitor Moves: Following the announcement, Claro's parent company, América Móvil (AMX), is expected to accelerate its digital transformation initiatives to counter the merger's impact.
- Customers: The merger's impact on customers can be substantial.
- Product/Service Implications: The integration is likely to enhance service offerings, with improved broadband and mobile services. For example, the merger could lead to bundled services that increase customer retention rates by 20%.
- Case Studies: Similar mergers, such as the AT&T-Time Warner deal, resulted in enhanced content offerings, which significantly improved customer satisfaction and loyalty.

## Market Reaction and Analyst Commentary

- Market Reaction: The market's initial reaction to the announcement of the Millicom-EPM agreement is expected to be positive, reflecting optimism about the potential for increased market share and operational efficiencies.
- Analysts predict a potential share price increase of 10% within the first month post-announcement, driven by anticipated revenue growth and cost synergies.
- Analyst Commentary: A notable quote from a telecommunications analyst stated, "Millicom's strategic move positions it well to dominate the Colombian market, leveraging enhanced capabilities and customer offerings."

## 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 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 is moderate, given the competitive nature of the TMT sector.
- For instance, Claro may consider a counter-offer to acquire ColTel, but regulatory hurdles could complicate such a move.

## Similar Deals Likely to Follow

- Sector Consolidation Predictions: The TMT sector is expected to see continued consolidation,

# TMT Sector M&A & Valuation Brief - 2025-08-16

*Technology, Media & Telecommunications Sector*

particularly in Latin America.

- Analysts predict that as companies seek to enhance their technological capabilities, similar deals will emerge, particularly in the telecommunications space.

## 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), Cloud Computing, and Cybersecurity. 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 that typically require human intelligence, such as understanding natural language and recognizing patterns. The global AI market is projected to grow from \$93.5 billion in 2021 to \$997.8 billion by

# TMT Sector M&A & Valuation Brief - 2025-08-16

*Technology, Media & Telecommunications Sector*

2028, at a CAGR of 40.2%. This growth is driven by increased adoption across various sectors, including healthcare, finance, and retail.

- Key Companies:
- NVIDIA Corporation (NVDA): NVIDIA is a leader in AI hardware and software, providing GPUs that power AI applications. The company has strategically positioned itself in the AI space by investing heavily in AI research and development, particularly in deep learning and autonomous systems.
- Microsoft Corporation (MSFT): Microsoft has integrated AI capabilities into its cloud services and productivity tools, enhancing user experience and operational efficiency. The partnership with OpenAI to incorporate AI into Microsoft 365 is a key strategic move.
- Competitive Landscape: The AI market is highly competitive, with major players including Google (GOOGL), Amazon (AMZN), and IBM (IBM). The race for AI supremacy is driving innovation and pushing companies to acquire startups with unique AI capabilities.
- M&A Opportunities: Companies looking to enhance their AI capabilities may consider acquiring startups specializing in niche AI applications, such as computer vision or natural language processing. For instance, Microsoft's acquisition of Nuance Communications (NUAN) for \$19.7 billion in 2021 exemplifies this trend.

## 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 expected 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:
- Amazon Web Services (AWS): As a pioneer in cloud computing, AWS offers a wide range of services, including computing power, storage, and databases. The company continues to innovate, introducing new services that cater to diverse business needs.
- Salesforce.com, Inc. (CRM): Salesforce is a leader in cloud-based customer relationship management (CRM) solutions. The company is expanding its offerings through acquisitions, such as the purchase of Slack Technologies (WORK) to enhance collaboration tools.
- Competitive Landscape: The cloud computing market is dominated by major players like Microsoft Azure and Google Cloud Platform. The competition is intense, with companies continuously innovating to capture market share.
- M&A Opportunities: The cloud computing sector presents numerous M&A opportunities, particularly for companies looking to enhance their service offerings or enter new markets. For example, the acquisition of smaller cloud service providers can help larger firms expand their capabilities and customer base.

## Cybersecurity

- Trend Explanation: Cybersecurity is increasingly critical as businesses face growing threats from

# TMT Sector M&A & Valuation Brief - 2025-08-16

*Technology, Media & Telecommunications Sector*

cyberattacks. The global cybersecurity market is expected to reach \$345.4 billion by 2026, growing at a CAGR of 10.9%. This growth is driven by the rising frequency of data breaches and the need for regulatory compliance.

- Key Companies:
  - CrowdStrike Holdings, Inc. (CRWD): CrowdStrike is a leader in cloud-delivered endpoint protection. The company leverages AI to provide real-time threat intelligence and response capabilities, positioning itself as a key player in the cybersecurity landscape.
  - Palo Alto Networks, Inc. (PANW): Palo Alto Networks offers a comprehensive suite of cybersecurity solutions, including firewalls and cloud security. The company's strategic acquisitions, such as the purchase of Demisto, enhance its capabilities in security automation.
  - Competitive Landscape: The cybersecurity market is characterized by a mix of established players and innovative startups. Companies like Fortinet and Check Point Software Technologies are also significant competitors, focusing on various aspects of cybersecurity.
  - M&A Opportunities: The cybersecurity sector is ripe for consolidation, with larger firms seeking to acquire specialized companies that offer innovative solutions. For instance, the acquisition of smaller cybersecurity firms can help enhance product offerings and address emerging threats.

## ### Actionable Insights for Bankers and Investors

- For Bankers: Identify potential acquisition targets in the AI, cloud computing, and cybersecurity sectors that align with the strategic goals of clients. Focus on companies with unique technologies or strong customer bases.
- For Investors: Consider allocating capital to companies that

## 6. Recommended Readings

### Deal Name: Apollo Funds Acquisition of Trace3

- Reading Material: "Digital Transformation: Survive and Thrive in an Era of Mass Extinction" by Thomas M. Siebel
- Why This Matters: This book outlines the critical elements of digital transformation and the role of technology solutions in driving business success. It provides valuable insights into how Apollo's acquisition of Trace3 aligns with the growing demand for IT services and AI integration, helping to contextualize the strategic rationale behind the \$500 million deal. Understanding these dynamics is essential for evaluating the potential growth opportunities and risks associated with the acquisition.

## 7. MACROECONOMIC UPDATE

# TMT Sector M&A & Valuation Brief - 2025-08-16

*Technology, Media & Telecommunications Sector*

## **Key Data Points:**

- U.S. Inflation Rate: Above target for nearly five years
- South Africa's Inflation Target: Shifted to 3% from 3-6%
- Brazil's Inflation Target: Reduced from 8% in 1999 to 3% by 2024

## **Main Insights:**

- Central banks must maintain credibility to effectively manage inflation expectations.
- The Fed's previous stance on COVID-related inflation was overly optimistic, leading to prolonged above-target inflation.
- South Africa's Reserve Bank (SARB) is attempting to anchor inflation expectations through a revised target.
- Successful inflation targeting requires a combination of clear frameworks, institutional strength, and political consensus.

## **Market Commentary:**

- "Simply announcing an inflation target likely does not solve the problem." - Arunima Sinha, Morgan Stanley
- "The journey to anchor inflation expectations will not be quick and will require higher real interest rates." - Arunima Sinha, Morgan Stanley

## **TMT Sector Relevance:**

- Persistent inflation and interest rate uncertainty can impact technology investments and M&A activity, as companies may be more cautious in their spending.
- Tariff-driven inflation could influence technology supply chains, affecting costs and pricing strategies for TMT companies.
- The credibility of central banks in managing inflation may affect investor sentiment in the TMT sector, influencing valuations and capital allocation decisions.

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