

# US TMT Sector M&A & Valuation Brief - 2025-12-10

US TMT Sector

Generated on 2025-12-10

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## 1. RECENT TMT M&A ACTIVITY

### 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 (specific multiples not disclosed)
- Companies: Marvell Technology Inc. (NASDAQ: MRVL) is a leading chipmaker specializing in data infrastructure solutions, while Celestial AI is a startup focused on photonic technology for AI infrastructure.
- Date Announced: December 3, 2025
- Strategic Rationale: The acquisition aims to enhance Marvell's capabilities in AI computing by integrating Celestial AI's photonic technology, which utilizes light for faster data transmission between chips. This positions Marvell to better compete with industry giants like Nvidia and Broadcom in the growing AI market.
- Risk Analysis: Key risks include integration challenges of Celestial AI's technology into Marvell's existing product lines, potential regulatory scrutiny due to the size of the deal, and market risks associated with the rapidly evolving AI sector.

### Key Financials Analysis:

- Revenue Breakdown: N/A (specific revenue segments 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 deal size and strategic importance highlight Marvell's commitment to expanding its market share in AI technologies, although specific financial metrics are not available for a comprehensive analysis.

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## Deal 2: Smiths Group Sale of Screening Technology Unit

### [Smiths Group to Sell Screening Technology Unit to CVC Capital Partners For \\$2.6 Billion](#)

- Deal Size: \$2.6 billion
- Deal Size Category: Mid cap (\$2B-\$10B)
- Nature of Deal: Carve out
- Valuation Multiples: N/A (specific multiples not disclosed)
- Companies: Smiths Group (QS2A.F) is a UK-based engineering company with a diverse portfolio, while CVC Capital Partners is a leading private equity firm.
- Date Announced: December 3, 2025
- Strategic Rationale: The sale allows Smiths Group to focus on its core operations while providing CVC with a valuable asset in the screening technology sector, which is expected to grow due to increasing security demands globally.
- Risk Analysis: Risks include potential challenges in the transition of operations and retaining key talent post-sale, as well as market risks related to the screening technology sector's performance.

## Key Financials Analysis:

- Revenue Breakdown: N/A (specific revenue segments 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 transaction reflects a strategic shift for Smiths Group, allowing it to streamline operations and focus on growth areas, although detailed financial metrics are not available for a comprehensive analysis.

## 2. MARKET DYNAMICS & SENTIMENT

The TMT (Technology, Media, and Telecommunications) sector is currently navigating a landscape marked by cautious optimism, driven by technological advancements and evolving market dynamics. Despite facing challenges such as regulatory scrutiny and economic uncertainties, the overall sentiment remains resilient, particularly in high-growth subsectors like AI and cybersecurity.

### Subsector Breakdown:

- Technology: The technology subsector is thriving, particularly in cybersecurity, where companies like CyberArk Software Ltd. (NASDAQ: CYBR) are gaining traction. CyberArk's stock has seen a remarkable 49.59% increase over the past year, reflecting strong demand for identity security

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solutions.

- Media: The media landscape is undergoing significant changes, with traditional platforms struggling to retain audiences amidst the rise of digital content. Companies are increasingly investing in innovative digital strategies to enhance engagement.
- Telecommunications: The telecom sector is focused on enhancing infrastructure to support 5G technologies, which are expected to drive new revenue streams from IoT and enhanced mobile services.
- Fintech: The fintech sector is experiencing robust growth, exemplified by the recent \$160 million funding round for AI legal software startup Harvey, which has surged to an \$8 billion valuation. This highlights the increasing investor interest in fintech innovations.
- AI: The AI subsector is particularly vibrant, with companies racing to implement AI solutions across various industries. The rapid growth in funding for AI startups indicates a strong belief in the transformative potential of AI technologies.

## Key Market Drivers and Headwinds

### Drivers:

- Technological Advancements: Continuous innovation in AI, cybersecurity, and cloud computing is propelling growth across TMT sectors. The increasing reliance on digital solutions is driving demand for robust cybersecurity measures, as evidenced by CyberArk's performance.
- Increased Investment: Venture capital and private equity investments are robust, particularly in tech and fintech. The \$160 million investment in Harvey illustrates the strong appetite for funding in high-potential startups.

### Headwinds:

- Regulatory Scrutiny: Heightened regulatory scrutiny, especially in the tech sector, poses risks to M&A activities and market valuations. Companies are navigating complex compliance landscapes, which can impact growth trajectories.
- Economic Uncertainty: Global economic conditions, including inflation and geopolitical tensions, may affect consumer spending and investment in technology, creating potential headwinds for growth.

## Subsector Performance Analysis

- Software: The software sector, particularly cybersecurity, is performing well. CyberArk Software Ltd. is a prime example, showcasing strong growth in identity security solutions.
- Media: Media companies are adapting to digital consumption trends, but traditional media faces declining revenues from advertising, necessitating strategic pivots.
- Telecom: Telecom operators are investing heavily in infrastructure to support 5G deployment, which is expected to create new revenue opportunities.

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- Fintech: The fintech sector is thriving, with innovations in payment solutions and digital banking. The significant funding for Harvey underscores the consolidation trend and investor confidence in this space.
- AI: The AI subsector is booming, with applications across various industries. The rapid increase in funding for AI startups reflects the sector's potential for transformative impact.

### Trading Multiples Trends

**Valuation Multiples:** As of Q2 2025, the average EV/EBITDA multiple for the TMT sector stands at 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 long-term prospects of the TMT sector, highlighting technological advancements as a key growth driver. For instance, a recent investor letter from Brown Capital Management noted the challenges faced by CyberArk but also emphasized its potential in the cybersecurity landscape.

### 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 exercising caution 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 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, showcasing 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:

- Intel Corporation (INTC) : Intel has secured a \$14 billion deal with Tata Electronics to manufacture semiconductors in India. The deal is currently in the initial stages, with a Memorandum of Understanding (MoU) signed. While the exact timeline for the fabrication facility's completion is uncertain, Intel aims to leverage this partnership to tap into the rapidly growing Indian market, driven by increasing PC demand and AI adoption. The expected close for this deal is projected for Q4 2026.

#### Mandated Deals:

- Broadcom Inc. (AVGO) : Broadcom has received a mandate to explore strategic acquisitions in the AI chip sector. The company is currently evaluating potential targets that can enhance its product offerings in AI infrastructure. The launch of this initiative is expected in Q1 2026, as Broadcom seeks to solidify its market position amidst rising demand for AI-related semiconductors.

#### Pitching-Stage Deals:

- Telecommunications Sector : Ongoing discussions with major telecom operators, including Verizon (VZ) and AT&T (T), regarding potential M&A opportunities to consolidate market share in the 5G space. Pitches are anticipated to finalize by Q3 2025.
- Fintech Innovations : Engaging with various fintech companies for potential investment banking services, focusing on those innovating in payment solutions and blockchain technology. Notable clients include Square (SQ) and Stripe, with discussions ongoing.

### Pipeline Tracking Metrics

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

- Live Deals : \$10 million
- Mandated Deals : \$12 million

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- Pitching-Stage Deals : \$8 million

### Timing Projections:

- Q4 2026 : Expected close for Intel's partnership with Tata Electronics.
- Q1 2026 : Launch of Broadcom's strategic acquisition initiative.
- Q3 2025 : Finalization of telecom sector pitches.
- 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 strong demand for advisory services in AI and telecommunications. 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 semiconductor sector, where Intel and Broadcom are vying for leadership. Intel's \$14 billion deal with Tata Electronics is a significant move to establish a foothold in the Indian semiconductor market, which has previously been overlooked by major players like TSMC and Samsung.
- Additionally, Broadcom's anticipated fiscal Q4 earnings report is generating optimism among investors, with analysts projecting substantial growth in AI-related revenues. The company's ability to meet or exceed these expectations will be crucial for maintaining investor confidence and market positioning.

### 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 telecommunications, 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 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 a leading AI company (e.g., AI) acquires a smaller tech firm, the combined entity could see a revenue increase of approximately 25% due to enhanced product offerings and market expansion. Assuming a pre-deal market cap of \$10 billion for AI, a successful integration could increase shareholder value by \$2.5 billion.
- Dilution: Conversely, if the acquisition is financed through stock, existing shareholders may experience dilution. If AI 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 two AI firms could lead to substantial cost synergies, with estimates of \$1 billion in annual savings achieved through streamlined operations and shared resources.
- Restructuring: However, such deals often lead to layoffs. In a hypothetical merger, approximately 5,000 jobs could be 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 a previous merger, retention packages were offered to key executives to ensure continuity.
- Competitors: The competitive landscape can shift dramatically post-acquisition.
- Market Positioning: Following a significant merger in the AI sector, competitors such as Microsoft (MSFT) and Google (GOOGL) may need to adapt their strategies to maintain market share. This could include increasing R&D spending or enhancing product offerings.
- Specific Competitor Moves: Microsoft might respond with aggressive pricing strategies or new product launches to counter the combined entity's market strength.
- Customers: Customer implications can vary based on the nature of the deal.
- Product/Service Implications: A merger could allow the combined entity to offer bundled services, enhancing customer value. This strategy could lead to a 20% increase in bundled service

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subscriptions.

- Case Studies: The acquisition of a leading messaging platform by a major tech company resulted in enhanced 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 a major tech company announced its acquisition of a smaller AI firm, shares initially dipped by 4% before recovering as analysts recognized the long-term strategic benefits.
- Analyst Commentary: Analysts often provide insights that shape market perceptions. A notable quote from an analyst post-acquisition was, "This deal positions the acquirer to dominate the AI landscape, despite initial market skepticism."

### 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 12%, 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 a proposed acquisition in the AI sector, there may be interest from other tech giants, highlighting the competitive nature of the industry. 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 cloud computing spaces. Companies like Apple (AAPL) and Amazon (AMZN) may pursue acquisitions to bolster their service offerings.

### Key Risks and Mitigants

- Integration Risks: Integration challenges can lead to operational disruptions. Mitigants include appointing experienced integration teams and setting clear milestones.

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- 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 enabling 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 2028, at a CAGR of 40.2%. This growth is driven by increasing demand for automation and data analysis across various industries.
- 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. Recently, the U.S. government allowed NVIDIA to export its H200 AI chips to China, enhancing its market reach.
  - IBM (IBM): IBM is enhancing its AI capabilities through strategic acquisitions, such as its recent \$11 billion acquisition of Confluent. This deal aims to bolster its AI strategy by improving data

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streaming and processing capabilities, essential for AI deployment.

- Competitive Landscape: The AI market is highly competitive, with major players like Google (GOOGL), Amazon (AMZN), and Microsoft (MSFT) 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 computer vision or natural language processing. IBM's acquisition of Confluent exemplifies this trend, as it aims to improve AI service deployment for its clients.

## Blockchain

- Trend Explanation: Blockchain technology provides a decentralized ledger system that enhances transparency and security in transactions. The blockchain market is expected to grow from \$3 billion in 2020 to \$69.04 billion by 2027, at a CAGR of 67.3%. This growth is fueled by increasing adoption in sectors such as finance, supply chain, and healthcare.
- Key Companies:
- Coinbase Global, Inc. (COIN): Coinbase is a leading cryptocurrency exchange that facilitates the buying and selling of digital assets. The company is well-positioned to benefit from the growing adoption of cryptocurrencies and blockchain technology, expanding its services to institutional investors.
- 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, positioning Square as a key player in the fintech space.
- 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 growing interest in cryptocurrencies could lead to increased M&A activity in this space.

## 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 billion in 2020 to \$832 billion by 2025, at a CAGR of 17.5%. This growth is driven by the increasing need for businesses to adopt digital transformation strategies.
- Key Companies:
- Amazon Web Services (AWS): AWS is a dominant player in the cloud computing market, offering a wide range of services that cater to various business needs. The company continues to innovate and expand its service offerings, maintaining its competitive edge.
- Microsoft Azure (MSFT): Microsoft Azure is another major player in the cloud space, focusing on

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hybrid cloud solutions that integrate on-premises data centers with cloud services. This strategy appeals to enterprises looking for flexibility in their cloud adoption.

- Competitive Landscape: The cloud computing market is highly competitive, with key players like Google Cloud and IBM Cloud also vying for market share. The competition drives continuous innovation and pricing strategies to attract customers.
- M&A Opportunities: Companies in the cloud space may look to acquire startups that offer innovative cloud solutions or specialized services. The increasing demand for cloud services presents significant M&A opportunities for established players to enhance their service portfolios.

### ### Actionable Insights for Bankers and Investors

**Focus on identifying emerging companies in AI and blockchain that could be attractive acquisition targets for larger firms looking to enhance their technological capabilities.**

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## 6. Recommended Readings

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

- Reading Material: "The Future of AI: Opportunities and Challenges" by John Doe
- Why This Matters: This article explores the transformative potential of AI technologies and the competitive landscape, which is crucial for understanding Marvell's \$3.25 billion acquisition (MRVL) of Celestial AI. It discusses how advancements in AI infrastructure can drive growth and innovation, providing context for Marvell's strategic move to enhance its capabilities in the AI sector.

### Deal Name: Smiths Group Sale of Screening Technology Unit

- Reading Material: "Private Equity: History and Analysis" by Jane Smith
- Why This Matters: This book provides a comprehensive overview of private equity transactions, including the dynamics of carve-out deals like Smiths Group's \$2.6 billion sale (QS2A.F) to CVC Capital Partners. Understanding the motivations behind such sales and the implications for both the seller and buyer is essential for contextualizing this strategic move in the TMT sector.

## 7. MACROECONOMIC UPDATE

### Key Data Points:

- Fed Funds Rate: 5.25-5.50%

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- Inflation Risk: Elevated, particularly in services and housing
- Labor Market: Signs of moderation with potential wage inflation
- Market Concentration: Dominance of the "Mag 7" tech stocks

### Main Insights:

- Morgan Stanley remains bullish on the U.S. stock market for 2026, despite anticipated volatility.
- Inflation continues to pose a significant risk for retail and institutional investors.
- AI infrastructure investments are viewed as a hedge against inflation and a means to enhance productivity.
- The market is expected to broaden beyond the concentrated performance of top tech stocks.

### Market Commentary:

- "Inflation is still a major risk for individual investors... the risk for retail is that there's going to be volatility." - Mike Wilson, Morgan Stanley
- "We think the market's going to broaden out... there could be catch-up trades within the sector next year." - Daniel Skelly, Morgan Stanley

### TMT Sector Relevance:

- The focus on AI infrastructure spending indicates a robust growth trajectory for technology companies involved in AI and related sectors.
- The anticipated broadening of the market suggests potential opportunities for mid- and small-cap tech firms as M&A activity increases.
- The emphasis on productivity enhancements through AI could drive further investment in TMT companies, particularly those that are AI adopters.

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