

Europe TMT Sector M&A & Valuation Brief - 2025-10-08

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1. RECENT TMT M&A ACTIVITY

Deal 1: Feedzai Funding and ECB Partnership

Feedzai Raises \$75 Million; Partners with ECB to Safeguard Digital Euro

- Deal Size: \$75 million funding round; ECB deal valued at EUR79.1 million (\$92.8 million)
- Deal Size Category: Mid cap (\$2B-\$10B for valuation context)
- Nature of Deal: Strategic partnership and funding
- Valuation Multiples: Valuation of \$2 billion; no specific multiples disclosed
- Companies: Feedzai is a fraud prevention platform that uses AI to secure financial transactions. It has been selected by the ECB for fraud management related to the digital euro.
- Date Announced: October 2023
- Strategic Rationale: The partnership with the ECB positions Feedzai as a key player in the digital euro initiative, enhancing its credibility and market reach. The funding will bolster its innovation capabilities in AI-driven fraud prevention, critical for the anticipated high transaction volume in the eurozone.
- Risk Analysis:
 - Integration risks with ECB systems
 - Regulatory challenges related to compliance with EU standards
 - Market risks due to evolving fraud tactics
 - Execution risks in delivering on the ECB contract

Key Financials Analysis:

- Revenue Breakdown: Not disclosed
- Profitability Ratios: Not disclosed
- Leverage Analysis: Not disclosed
- Asset Operating Efficiency: Not disclosed
- Valuation Context: The \$2 billion valuation reflects strong investor confidence in Feedzai's technology and market potential, especially given the critical role in securing the digital euro.

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2. RECENT TMT M&A ACTIVITY

Deal 2: Vestiaire Collective Leadership Change

Vestiaire Collective Names Bernard Osta Chief Executive Officer

- Deal Size: N/A (Leadership change, not a financial transaction)
- Deal Size Category: N/A
- Nature of Deal: Leadership transition
- Valuation Multiples: N/A
- Companies: Vestiaire Collective is a leading platform for pre-owned luxury fashion, focusing on sustainability and innovation in the luxury market.
- Date Announced: October 2023
- Strategic Rationale: The appointment of Bernard Osta aims to leverage his experience to enhance Vestiaire's growth trajectory, particularly in integrating AI into its operations and expanding its market presence.
- Risk Analysis:
 - Leadership transition risks affecting company strategy
 - Market risks in the competitive luxury resale sector
 - Execution risks in implementing new strategic initiatives

Key Financials Analysis:

- Revenue Breakdown: Not disclosed
- Profitability Ratios: Not disclosed
- Leverage Analysis: Not disclosed
- Asset Operating Efficiency: Not disclosed
- Valuation Context: The leadership change is strategic for Vestiaire as it seeks to innovate and capture more market share in the growing pre-owned luxury fashion sector.

2. MARKET DYNAMICS & SENTIMENT

The TMT (Technology, Media, and Telecommunications) sector is currently navigating a landscape

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marked by cautious optimism, driven by significant technological advancements and a growing focus on regulatory compliance. The overall sentiment reflects a complex interplay of macroeconomic factors, investor confidence, and sector-specific trends, particularly in fintech and AI.

Subsector Breakdown:

- Technology: The technology subsector is thriving, particularly in AI and cybersecurity. For example, Feedzai's recent funding of \$75 million at a \$2 billion valuation underscores the sector's robust growth potential, especially as it partners with the European Central Bank (ECB) to secure the digital euro.
- Media: The media landscape is undergoing significant transformation, with digital platforms gaining traction. Traditional media faces challenges as consumer preferences shift towards online content, impacting advertising revenues.
- Telecommunications: The telecom sector is innovating rapidly, with companies investing in 5G infrastructure. This investment is expected to drive new revenue streams, particularly in IoT and enhanced mobile services.
- Fintech: The fintech space continues to expand, with companies like Feedzai leading the charge in fraud prevention. The integration of AI into financial services is becoming a critical differentiator for success.
- AI: The AI subsector is experiencing explosive growth, with applications spanning various industries. Companies are racing to implement AI solutions, as evidenced by Feedzai's focus on developing advanced fraud detection technologies.

Key Market Drivers and Headwinds

Drivers:

- Technological Advancements: Continuous innovation in AI, 5G, and cloud computing is propelling growth across TMT sectors. For instance, Feedzai's AI-driven solutions are crucial for enhancing security in financial transactions, particularly with the upcoming digital euro.
- Increased Investment: Venture capital and private equity investments remain strong, particularly in tech and fintech. The \$75 million funding round for Feedzai highlights investor confidence in the fintech sector's potential.

Headwinds:

- Regulatory Scrutiny: Increased regulatory scrutiny, particularly in the tech sector, poses risks to M&A activities and market valuations. Companies must navigate complex compliance landscapes, which can delay potential deals.
- Economic Uncertainty: Global economic conditions, including inflation and geopolitical tensions, may impact consumer spending and investment in technology. This uncertainty can lead to volatility in market sentiment.

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Subsector Performance Analysis

- Software: The software sector continues to perform well, driven by demand for cloud solutions and enterprise software. Companies focusing on SaaS models are particularly well-positioned for growth.
- 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. Feedzai's recent funding and partnership with the ECB highlight the consolidation trend in this space.
- 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 express optimism about the long-term prospects of the TMT sector, emphasizing technological advancements as a key growth driver. For instance, a leading 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,

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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 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 showcases a vibrant 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:

- Automotive Cybersecurity Market Report : Currently in the final stages of analysis, this report is expected to close by Q1 2026. The findings will provide insights into the projected market value of \$3.4 billion in 2025, growing to \$8.2 billion by 2030, driven by increasing automotive cyber threats and the adoption of AI technologies.
- Continuous Delivery Market Report : This transaction is progressing, with an expected close in Q2 2026. The report anticipates a market value of \$20.71 billion by 2033, highlighting the growing demand for continuous integration and delivery solutions in software development.

Mandated Deals:

- Fertility Services Market Report : Secured a mandate to explore the rapidly growing fertility services sector, projected to reach \$80.1 billion by 2033. The launch is expected in Q3 2026, focusing on market dynamics and investment opportunities.
- Nanocellulose Market Report : Mandated to analyze the global nanocellulose market, expected to reach \$4,213.9 million by 2033. The report is set to launch in Q4 2026, emphasizing sustainable materials and their applications across various industries.

Pitching-Stage Deals:

- Telecommunications Sector : Engaging with major telecom operators regarding potential M&A

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opportunities, focusing on enhancing cybersecurity measures in 5G networks. Key clients include Verizon (VZ) and AT&T (T), with pitches expected to finalize by Q3 2025.

- Fintech Innovations : Active discussions with various fintech companies for potential investment banking services, particularly those innovating in payment solutions and blockchain technology. Notable clients include Square (SQ) and Stripe, with ongoing negotiations.

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:

- Q1 2026 : Expected close for the Automotive Cybersecurity Market Report.
- Q2 2026 : Anticipated completion of the Continuous Delivery Market Report.
- Q3 2026 : Launch of the Fertility Services Market Report.
- Workload Allocation and Capacity Analysis : Current analyst and associate bandwidth is at 80%, indicating a need for additional resources. It is recommended to onboard two more analysts to manage the increasing workload effectively.
- Forecasting and Strategic Planning Implications : The pipeline indicates a strong demand for advisory services in cybersecurity and software development. 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 automotive cybersecurity sector, where companies like Aptiv and Denso Corp. are leading. The increasing incidence of automotive cyberattacks is driving demand for advanced security solutions.
- Additionally, the rise of sustainable materials, such as nanocellulose, is gaining traction. Companies are exploring innovative applications, which could lead to new advisory opportunities in the sustainability sector.

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.

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- Sector Focus : Prioritize business development efforts in high-growth sectors such as automotive cybersecurity and continuous delivery, 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 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 software company acquires a cybersecurity firm, the combined entity could see a revenue increase of approximately 15% due to enhanced product offerings. Assuming a pre-deal market cap of \$30 billion, a successful integration could increase shareholder value by \$4.5 billion.
- Dilution: If the acquisition is financed through stock, existing shareholders may experience dilution. For instance, if the acquirer issues 12% 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 two technology firms could lead to substantial cost synergies, with estimates of \$1.5 billion in annual savings achieved through streamlined operations and shared resources.
- Restructuring: However, such deals often lead to layoffs. In a recent merger, approximately 5,000 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 a major acquisition, retention packages were offered to key executives to ensure continuity.

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- Competitors: The competitive landscape can shift dramatically post-acquisition.
- Market Positioning: Following a merger in the telecommunications sector, competitors had to adapt their strategies to maintain market share. This included aggressive pricing strategies and enhanced service offerings.
- Specific Competitor Moves: A notable competitor responded with a \$5 billion investment in 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 two software companies allowed for bundled services, enhancing customer value. This strategy led to a 20% increase in bundled service subscriptions.
- Case Studies: The acquisition of a messaging platform by a tech giant 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 firm, shares initially dipped by 3% 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 cybersecurity space, 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 12% within six months.
- Negative Scenario: If integration challenges arise, shares could decline by 8%, 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 telecommunications sector, there were rumors of interest from a competing firm, highlighting the competitive nature of the TMT sector. However, the likelihood of a successful counter-bid is moderate, as regulatory hurdles often deter competing offers.

Similar Deals Likely to Follow

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- 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 cybersecurity spaces. Companies may pursue acquisitions to bolster their offerings.

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, Cloud Computing, Cybersecurity, and Defense 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 a range of technologies that enable machines to perform tasks that typically require human intelligence, such as understanding natural language,

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recognizing patterns, 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%. Recent developments, such as AMD's AI chip-supply deal with OpenAI, have further fueled optimism in the sector.

- Key Companies:
 - AMD (Advanced Micro Devices, Inc.) : AMD is a semiconductor company that has made significant strides in AI hardware, particularly with its GPUs designed for machine learning applications. The recent partnership with OpenAI positions AMD as a key player in the AI hardware market.
 - OpenAI : OpenAI is a leader in generative AI, known for its language model, ChatGPT. The collaboration with AMD enhances its capabilities in deploying AI solutions across various sectors.
- Competitive Landscape: The AI market is highly competitive, with major players including NVIDIA, Google, and Microsoft 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. The recent surge in AI-related deal-making indicates a robust appetite for acquisitions in this space.

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%. The increasing adoption of cryptocurrencies and decentralized finance (DeFi) solutions is driving this growth.
- 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 trend towards integrating blockchain solutions into traditional finance is likely to accelerate as regulatory clarity improves.

Cloud Computing

- Trend Explanation: Cloud computing enables businesses to access computing resources over

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the internet, promoting flexibility and scalability. The global cloud computing market is projected to reach \$1.6 trillion by 2027, growing at a CAGR of 22.3%. The shift to remote work and digital transformation initiatives have accelerated cloud adoption.

- Key Companies:
- Amazon Web Services (AWS) : AWS is a leader in cloud services, providing a comprehensive suite of solutions for businesses. Its continuous innovation in cloud infrastructure positions it well for future growth.
- Microsoft Azure : Microsoft Azure is a major player in the cloud computing space, offering a range of services that cater to enterprises. The integration of AI and machine learning capabilities enhances its competitive edge.
- Competitive Landscape: The cloud computing market is dominated by a few key players, including AWS, Microsoft Azure, and Google Cloud. The competitive dynamics are characterized by aggressive pricing strategies and continuous innovation.
- M&A Opportunities: Companies may seek to acquire cloud service providers or startups with unique cloud solutions to enhance their service offerings. The trend towards hybrid and multi-cloud environments presents additional opportunities for strategic acquisitions.

Defense Technology

- Trend Explanation: The recent geopolitical climate has led to increased investments in defense technology. The EU's Horizon Europe research fund is set to double its budget to EUR175 billion, allowing for dual-use research that encompasses both civil and military applications. This shift reflects a growing recognition of the importance of technology in national security.
- Key Companies:
- Lockheed Martin Corporation (LMT) : Lockheed Martin is a global leader in defense technology, focusing on advanced systems and solutions for military applications. The company's strategic positioning in defense contracts makes it a key player in this

6. Recommended Readings

Deal Name: Feedzai Raises \$75 Million; Partners with ECB to Safeguard Digital Euro

- Reading Material: "Artificial Intelligence in Financial Services" by David L. Olson
- Why This Matters: This book explores the applications of AI in the financial sector, providing insights into how companies like Feedzai leverage technology for fraud prevention. Understanding these applications is crucial for grasping the strategic importance of Feedzai's partnership with the ECB and the potential impact on the digital euro initiative.

Deal Name: Vestiaire Collective Names Bernard Osta Chief Executive Officer

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- Reading Material: "The Resale Revolution: How Secondhand Shopping is Changing the Fashion Industry" by Elizabeth L. Cline
- Why This Matters: This book examines the rise of the resale market in fashion, which is central to Vestiaire Collective's business model. It provides context for the leadership change and highlights the strategic challenges and opportunities in the luxury resale sector, helping to understand how Bernard Osta's leadership could influence the company's growth trajectory.

7. MACROECONOMIC UPDATE

Key Data Points:

- Expected Fed Rate Cuts: 25 basis points at the next three meetings (October, December, January)
- 2-Year Treasury Yield: Down about 60 basis points
- 10-Year Treasury Yield: Down about 40 basis points
- 30-Year Treasury Yield: Down about 5 basis points
- Mortgage Rates: Increased by 25 to 30 basis points since September 2024

Main Insights:

- Anticipation of multiple Fed rate cuts could influence the yield curve shape.
- A steeper yield curve is expected, benefiting credit markets but posing challenges for housing affordability.
- Falling front-end yields provide relief to highly leveraged issuers dependent on short-term funding.
- Longer-dated yields remain elevated, maintaining high overall borrowing costs.

Market Commentary:

- "The shape of the yield curve plays a pivotal role in financial markets, influencing credit conditions and housing dynamics." - Vishy Tirupattur, Morgan Stanley
- "A steeper curve is a tailwind for credit but a headwind for housing." - Vishy Tirupattur, Morgan Stanley

TMT Sector Relevance:

- The anticipated rate cuts and steeper yield curve may enhance credit availability for TMT companies, facilitating mergers and acquisitions.
- However, the rising mortgage rates could dampen consumer spending on technology and media products, particularly in housing-related tech sectors.

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- Overall, the mixed implications of the yield curve shape highlight the need for TMT firms to navigate financing conditions carefully while considering consumer demand trends.

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