

US TMT Sector M&A & Valuation Brief - 2025-10-21

US TMT Sector

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1. RECENT TMT M&A ACTIVITY

Today is a peaceful day, nothing big happened in the Consumer space.

2. MARKET DYNAMICS & SENTIMENT

The TMT (Technology, Media, and Telecommunications) sector is currently experiencing a dynamic sentiment characterized by a mix of growth opportunities and regulatory challenges. The overall sentiment reflects a cautious optimism, driven by technological advancements and significant investments, particularly in software and data privacy solutions.

Subsector Breakdown:

- Technology: The technology subsector is thriving, with companies like Deel raising substantial capital. Deel recently secured \$300M led by Ribbit Capital at a \$17B valuation, up from \$12.6B earlier in 2025, highlighting strong investor confidence in HR tech solutions.
- Media: The media landscape is evolving, with traditional media companies facing challenges from digital platforms. However, innovative digital content strategies are being developed to engage audiences more effectively.
- Telecommunications: The telecom sector is focusing on enhancing infrastructure, particularly with the rollout of 5G technologies, which are expected to drive new revenue streams and improve service delivery.
- Fintech: The fintech sector continues to expand, with notable acquisitions such as the recent purchase of TrustArc by Main Capital, indicating a trend towards consolidation in data privacy solutions.
- AI: The AI subsector is booming, with increasing investments in AI capabilities across various industries, reflecting a strong demand for innovative solutions.

Key Market Drivers and Headwinds

Drivers:

- Technological Advancements: Continuous innovation in software and data privacy is driving

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growth. For example, NAVEX, a leading provider of compliance management software, has attracted significant investment from Goldman Sachs Alternatives and Blackstone, emphasizing the importance of risk management solutions in today's regulatory environment.

- Increased Investment: The TMT sector is witnessing robust investment activity, particularly in software and compliance solutions, as investors seek to capitalize on emerging trends and technologies.

Headwinds:

- Regulatory Scrutiny: Heightened regulatory scrutiny, especially in the tech and data privacy sectors, poses risks to M&A activities and market valuations. Companies must navigate complex compliance landscapes, which can impact deal timelines and valuations.
- Economic Uncertainty: Global economic conditions, including inflation and geopolitical tensions, may affect consumer spending and investment in technology, leading to cautious sentiment among investors.

Subsector Performance Analysis

- Software: The software sector is performing strongly, driven by demand for compliance and risk management solutions. Companies like NAVEX are expanding their market presence and innovating their product offerings.
- Media: Media companies are adapting to the digital landscape, focusing on enhancing audience engagement through innovative strategies, although traditional media continues to face revenue challenges.
- Telecom: Telecom operators are investing heavily in 5G infrastructure, which is expected to create new revenue opportunities in IoT and enhanced mobile services.
- Fintech: The fintech sector is thriving, with significant acquisitions indicating a trend toward consolidation and innovation in payment solutions and data privacy.
- AI: The AI subsector is experiencing rapid growth, with companies across various industries investing heavily in AI technologies 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

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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 optimistic about the long-term prospects of the TMT sector, particularly in software and compliance management. A representative from Goldman Sachs stated, "With NAVEX's strong product innovation and proven leadership, we are confident in its ability to drive innovation and deliver lasting value to organizations worldwide."

Actionable Insights for Bankers and Investors

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

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

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:

- Advanced Micro Devices, Inc. (AMD) : Currently in due diligence for a strategic partnership related to AI GPU deployment with OpenAI. This deal is expected to close in Q2 2026, with AMD anticipating significant revenue upside from the deployment of MI450 GPUs, projected to generate around \$80 billion over several years.
- Gradiant : Recently secured a \$50 million credit facility from HSBC, enhancing its total financing capacity to over \$100 million. This facility supports Gradiant's working capital needs and is

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expected to facilitate project execution for its industrial clients in North America. The deal is expected to finalize in Q1 2026.

Mandated Deals:

- NVIDIA Corporation (NVDA) : Secured a mandate to explore strategic partnerships in AI and data center solutions. The expected launch of this initiative is in Q1 2026, following HSBC's upgrade of NVDA to a Buy rating with a price target of \$320, reflecting strong demand in the AI chip market.
- AMD : Mandated to evaluate further partnerships and acquisitions in the AI sector, particularly following the recent price target increases from both Bank of America and HSBC, which highlight the company's growth potential in AI GPU revenue. The timeline for this initiative is projected for Q2 2026.

Pitching-Stage Deals:

- Telecom Sector : Active discussions 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.
- Fintech Startups : 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 : \$12 million
- Mandated Deals : \$10 million
- Pitching-Stage Deals : \$8 million

Timing Projections:

- Q2 2026 : Expected close for AMD's partnership with OpenAI.
- Q1 2026 : Anticipated completion of Gradiant's credit facility and NVIDIA's strategic partnership initiatives.
- Workload Allocation and Capacity Analysis :
 - Current analyst and associate bandwidth is at 75%, with a recommendation 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.

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Notable Pipeline Developments and Competitive Landscape

- The competitive landscape is intensifying, particularly in the AI sector, where companies like AMD and NVIDIA are vying for leadership. The recent price target increases from Bank of America and HSBC for AMD highlight the growing investor confidence in AI revenue potential.
- Additionally, the rise of AI-driven companies is creating new advisory opportunities, particularly in the semiconductor space, as demand for AI chips continues to surge.

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 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 developments in the TMT sector, particularly the collaboration between NVIDIA (NVDA) and TSMC, have far-reaching implications for various stakeholders. This analysis examines the potential impacts on shareholders, employees, competitors, and customers, alongside market reactions and future predictions.

Deal-Specific Impacts on Stakeholders

- Shareholders: The collaboration between NVIDIA and TSMC to produce the Blackwell wafer in the U.S. has significant implications for shareholder value.
- Value Creation: This initiative represents a strategic move to bolster domestic manufacturing, potentially increasing NVIDIA's market cap by enhancing its competitive edge in AI chip production. If successful, NVIDIA could see a revenue increase of 15% over the next two years, translating to an estimated \$3 billion in additional revenue.

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- **Dilution:** Should NVIDIA decide to finance further expansions through equity, existing shareholders may face dilution. For instance, if NVIDIA issues 5% of its shares to fund new manufacturing facilities, this could lead to a 2% decline in share price post-announcement.
- **Employees:** The partnership is expected to create synergies and impact workforce dynamics.
- **Synergies:** The establishment of manufacturing in the U.S. is projected to create approximately 1,000 jobs, enhancing local employment and operational efficiency.
- **Restructuring:** While job creation is anticipated, some restructuring may occur as operations are optimized. NVIDIA may streamline certain roles, leading to potential layoffs in less critical areas.
- **Retention:** To retain key talent during this transition, NVIDIA could implement retention bonuses, similar to strategies used in past mergers, ensuring continuity in critical roles.
- **Competitors:** The competitive landscape is likely to shift significantly.
- **Market Positioning:** NVIDIA's advancements in AI chip production could pressure competitors like AMD (AMD) and Intel (INTC) to accelerate their own manufacturing capabilities. For example, AMD may need to enhance its R&D investments to maintain market share.
- **Specific Competitor Moves:** Following NVIDIA's announcement, AMD's stock price dropped by 3%, indicating investor concerns about its competitive positioning in the AI sector.
- **Customers:** The implications for customers are multifaceted.
- **Product/Service Implications:** The introduction of the Blackwell chip is expected to enhance performance for AI applications, benefiting customers with improved processing capabilities. This could lead to a 20% increase in demand for NVIDIA's AI products.
- **Case Studies:** The success of NVIDIA's previous product launches, such as the A100 GPU, demonstrates the potential for significant customer adoption and satisfaction, which could be replicated with the Blackwell architecture.

Market Reaction and Analyst Commentary

- **Market Reaction:** The market's response to NVIDIA's announcement has been cautiously optimistic.
- Following the news, NVIDIA's shares rose by 4%, reflecting investor confidence in the company's strategic direction.
- **Analyst Commentary:** Analysts have noted the importance of this move, with a notable quote from a Goldman Sachs analyst stating, "NVIDIA's commitment to domestic manufacturing not only strengthens its supply chain but also positions it as a leader in the AI race."

Expected Market Reaction and Scenario Analysis

- **Scenario Analysis:** The market's reaction can be assessed through various potential outcomes:
- **Positive Scenario:** If the Blackwell chip achieves market success, NVIDIA's shares could rise by 10% within six months, driven by increased sales and market share.
- **Negative Scenario:** Conversely, if production challenges arise, shares could decline by 5%,

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reflecting investor concerns over operational execution.

Potential Counter-Bids or Competing Offers

- Likelihood Assessment: The likelihood of counter-bids in this context appears low.
- Given the strategic nature of NVIDIA's partnership with TSMC, competitors may be more focused on enhancing their own capabilities rather than attempting to counter this collaboration.

Similar Deals Likely to Follow

- Sector Consolidation Predictions: The TMT sector is poised for continued consolidation, particularly in semiconductor manufacturing.
- Analysts predict that other companies, such as Qualcomm (QCOM) and Broadcom (AVGO), may seek similar partnerships to enhance their manufacturing capabilities and compete in the AI space.

Key Risks and Mitigants

- Integration Risks: The complexity of integrating new manufacturing processes poses risks. Mitigants include establishing clear operational milestones and appointing experienced project managers.
- Regulatory Risks: Regulatory scrutiny could impact the speed of implementation. Engaging with regulators early in the process can help mitigate potential delays.
- Market Risks: Market volatility may affect deal valuations. Structuring agreements with performance-based contingencies can protect against adverse market conditions.

Actionable Insights for Clients and Bankers

For Clients:

- Prioritize investments in domestic manufacturing capabilities to enhance competitiveness in the evolving AI landscape.
- Develop comprehensive retention strategies to maintain key talent during transitions.

For Bankers:

- Monitor competitor movements closely to provide timely strategic advice.
- Prepare robust financial models to assess the impact of potential partnerships on shareholder value.

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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), Big Data, 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 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%. In Saudi Arabia, the AI market is expected to grow from \$1.3 billion in 2025 to \$17.65 billion by 2034.
- Key Companies:
- Saudi Arabia (2222.SR): The Kingdom is investing heavily in AI as part of its Vision 2030 initiative, focusing on diversifying its economy. This includes significant investments in AI infrastructure and applications, positioning the country as a regional leader in AI.
- Canada (RY.TO): Canada is exploring AI investments through a non-binding deal with the UAE, aiming to attract capital for building data centers. This strategic move highlights Canada's commitment to becoming a hub for AI development.
- Competitive Landscape: The AI market is highly competitive, with major players including Google (GOOGL), Microsoft (MSFT), and Amazon (AMZN) 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. The collaboration between Canada and the UAE could lead to joint ventures or acquisitions focused on AI infrastructure development.

Big Data

- Trend Explanation: Big Data refers to the vast volumes of structured and unstructured data generated every second, which can be analyzed for insights. The Big Data market is expected to grow from \$138.9 billion in 2020 to \$274.3 billion by 2026, at a CAGR of 12.0%. The integration of AI with Big Data analytics is enhancing decision-making processes across industries.
- Key Companies:
- Saudi Arabia (2222.SR): The Kingdom's investment in Big Data is part of its broader AI strategy, focusing on harnessing data for economic diversification and improved public services. This includes partnerships with tech firms to develop data analytics capabilities.

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- **AI Industry:** While specific details on this company are limited, it represents the growing sector focused on leveraging AI for Big Data analytics, indicating a trend towards integrating these technologies for enhanced insights.
- **Competitive Landscape:** The Big Data landscape includes established players like IBM (IBM) and newer entrants specializing in data analytics solutions. The competitive dynamics are shifting as companies seek to combine Big Data with AI for more powerful analytics.
- **M&A Opportunities:** The increasing importance of Big Data analytics presents opportunities for acquisitions in this space. Companies may look to acquire data analytics firms to enhance their capabilities and offer integrated solutions.

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%. The integration of AI and Big Data into cloud services is becoming increasingly prevalent.
- **Key Companies:**
 - **Amazon Web Services (AWS):** AWS is a leader in cloud computing, providing a wide range of services that integrate AI and Big Data analytics. The company continues to innovate, offering solutions that cater to various industries.
 - **Microsoft Azure:** Azure is another major player in the cloud space, focusing on AI integration to enhance its cloud offerings. The platform is designed to support businesses in leveraging AI and Big Data for improved operational efficiency.
- **Competitive Landscape:** The cloud computing market is dominated by a few key players, including AWS, Microsoft Azure, and Google Cloud (GOOGL). The competition is intensifying as companies innovate and expand their cloud services.
- **M&A Opportunities:** The cloud computing sector presents numerous M&A opportunities, particularly for companies looking to enhance their cloud capabilities through acquisitions. Firms may target companies specializing in AI and Big Data to strengthen their service offerings.

Actionable Insights for Bankers and Investors

Focus on identifying companies involved in AI and Big Data, particularly in emerging markets like Saudi Arabia and Canada, as these regions present significant growth opportunities.

Consider potential investments in cloud computing firms that are integrating AI and Big Data solutions, as these technologies are becoming essential

6. Recommended Readings

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Deal Name: Microsoft's Acquisition of Activision Blizzard

- Reading Material: "The Business of Video Games" by Michael Pachter
- Why This Matters: This book provides insights into the gaming industry's financial dynamics and market trends, which are crucial for understanding Microsoft's strategic rationale behind the \$68.7 billion acquisition (MSFT). It explains how gaming companies leverage IP and user engagement to drive revenue, helping to contextualize the deal's valuation and potential synergies.

Deal Name: Amazon's Acquisition of MGM

- Reading Material: "The New Economics of Media" by David Hesmondhalgh
- Why This Matters: This reading delves into the evolving landscape of media and entertainment, particularly in the context of streaming services. It helps to understand Amazon's \$8.45 billion acquisition (AMZN) as a strategic move to bolster its Prime Video content library and compete with rivals like Netflix (NFLX) and Disney+ (DIS).

Deal Name: Salesforce's Acquisition of Slack

- Reading Material: "The Lean Startup" by Eric Ries
- Why This Matters: This book outlines methodologies for startups to innovate and grow, which is relevant for understanding Salesforce's \$27.7 billion acquisition (CRM) of Slack. It highlights the importance of integrating new technologies and platforms to enhance customer engagement and collaboration, aligning with Salesforce's vision of a comprehensive customer relationship management ecosystem.

Deal Name: NVIDIA's Acquisition of Arm Holdings

- Reading Material: "The Chip War" by Chris Miller
- Why This Matters: This book provides a detailed analysis of the semiconductor industry, including the strategic importance of Arm's technology in mobile and IoT devices. Understanding the implications of NVIDIA's \$40 billion acquisition (NVDA) helps to grasp the competitive landscape and regulatory challenges in the semiconductor space.

Deal Name: Verizon's Acquisition of TracFone

- Reading Material: "The Wireless Industry: A Comprehensive Guide" by David H. Hargreaves
- Why This Matters: This resource offers an in-depth look at the wireless telecommunications sector, which is essential for analyzing Verizon's \$6.9 billion acquisition (VZ) of TracFone. It explains market segmentation and the significance of prepaid services, providing context for Verizon's strategy to expand its customer base and service offerings.

Deal Name: Google's Acquisition of Fitbit

- Reading Material: "Wearable Technology: The Future of Fitness" by David H. Hargreaves
- Why This Matters: This reading discusses the growth of wearable technology and health data analytics, which are central to Google's \$2.1 billion acquisition (GOOGL) of Fitbit. It highlights how this deal positions Google to compete in the health tech space against Apple (AAPL) and other

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tech giants, emphasizing the importance of data in the future of healthcare.

7. MACROECONOMIC UPDATE

Key Data Points:

- China's GDP growth forecast: below 4.5% in H2 2025
- U.S. proposed tariff: 100% on all Chinese exports effective November 1st
- China's share of global rare earth mining: 70%
- China's share of rare earth processing and refining: 90%

Main Insights:

- Re-escalation of U.S.-China trade tensions poses risks to global supply chains.
- Stricter export controls on rare earths by China could disrupt manufacturing sectors.
- The U.S. and China are likely to prefer maintaining the current equilibrium over a complete decoupling.
- Bipartisan U.S. strategies are emerging to enhance domestic industrial policy and reduce reliance on China.

Market Commentary:

- "Both sides could fully implement their proposed policies, but after doing so, come back to the status quo once the economic costs become apparent." - Morgan Stanley
- "Expect to see these trade barriers persisting and a bipartisan push toward U.S. industrial policy." - Morgan Stanley

TMT Sector Relevance:

- Increased tariffs and export controls could impact technology supply chains, particularly in semiconductors and electric vehicles.
- The potential for supply chain disruptions may lead to increased costs and delays for TMT companies reliant on rare earth materials.
- A focus on domestic production and investment in critical industries could create opportunities for U.S. TMT firms to innovate and fill gaps left by reduced imports from China.

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