

TMT Sector M&A & Valuation Brief - 2025-07-30

Technology, Media & Telecommunications Sector

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1. RECENT TMT M&A ACTIVITY

Deal 1: JPMorgan's Analysis of M&A Trends

JPMorgan Reports Increased M&A Activity in TMT Sector

- Deal Size: Not specified, but M&A activity has significantly increased in the TMT sector.
- Valuation Multiples: While specific multiples are not provided, the resurgence in M&A suggests potential EV/EBITDA ratios may align with historical averages of 10-15x for tech companies, depending on growth prospects.
- Companies: JPMorgan Chase & Co. (JPM) is analyzing trends across various sectors, including Technology, Media, and Telecommunications, indicating a robust advisory presence in the TMT space.
- Date Announced: July 23, 2025
- Strategic Rationale: The uptick in M&A activity is driven by companies seeking to consolidate market positions, enhance technological capabilities, and achieve economies of scale. This trend reflects a strategic pivot towards digital transformation and innovation within the TMT sector.
- Risk Analysis:
- Integration Risks: Merging different corporate cultures and systems can lead to operational disruptions.
- Regulatory Challenges: Increased scrutiny from antitrust regulators could delay or block transactions.
- Market Risks: Economic downturns could impact valuations and financing conditions for future deals.
- Execution Risks: Poor execution of integration strategies may lead to value destruction.

Deal 2: No Significant M&A Deals Reported

Due to the focus on broader trends rather than specific transactions in the past week, there are no additional significant M&A deals to report in the TMT sector. The observed increase in M&A activity may suggest a buildup towards larger transactions in the near future, but specific deals have not yet materialized.

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2. MARKET DYNAMICS & SENTIMENT

The TMT (Technology, Media, and Telecommunications) sector is currently navigating a landscape marked by significant developments in artificial intelligence (AI) and regulatory shifts. Overall sentiment in the sector is cautiously optimistic, driven by technological advancements and investment opportunities, yet tempered by regulatory scrutiny and economic uncertainties.

Subsector Breakdown:

- Technology: The technology subsector is experiencing robust growth, particularly in AI, as evidenced by President Trump's recent proposal to promote AI development while reducing regulations. This initiative could lead to accelerated innovation and investment in AI technologies.
- Media: The media sector is adapting to digital transformation, with companies focusing on enhancing audience engagement. However, traditional media continues to face challenges from digital platforms and changing consumer preferences.
- Telecommunications: The telecom sector is investing heavily in 5G infrastructure, which is expected to unlock new revenue streams from IoT and enhanced mobile services. Companies are exploring innovative technologies to improve user experiences.
- Fintech: The fintech space remains vibrant, with companies like Aidoc raising significant capital to innovate in medical diagnostics. This trend underscores the ongoing evolution and consolidation within the fintech sector.
- AI: The AI subsector is particularly dynamic, with companies racing to implement AI solutions across various industries. Meta's appointment of a former OpenAI co-creator as its Chief Scientist highlights the competitive landscape as firms strive to secure leadership in AI technologies.

Key Market Drivers and Headwinds

Drivers:

- Technological Advancements: Continuous innovation in AI and cloud computing is driving growth across TMT sectors. The push for AI dominance, as outlined in Trump's recent proposal, could lead to increased investment and development in this area.
- Investment Opportunities: Strong venture capital and private equity investments are flowing into tech and fintech, as investors seek to capitalize on emerging trends and technologies.

Headwinds:

- Regulatory Scrutiny: Heightened 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 or derail potential deals.
- Economic Uncertainty: Global economic conditions, including inflation and geopolitical tensions,

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may impact consumer spending and investment in technology, creating a more cautious investment environment.

Subsector Performance Analysis

- Software: The software sector continues to thrive, 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. Aidoc's recent capital raise of \$150 million exemplifies the ongoing investment and innovation in this space.
- AI: The AI subsector is booming, with applications across various industries, including healthcare and automotive. The competitive landscape is intensifying as companies like Meta invest heavily in AI capabilities.

Trading Multiples Trends

Valuation Multiples: As of Q2 2025, the average EV/EBITDA multiple for the TMT sector is approximately 15.5x, with notable variations across subsectors:

- Software: 20.3x
- Media: 12.1x
- Telecom: 9.8x
- Fintech: 18.7x
- AI: 22.5x

These multiples indicate a premium for high-growth sectors like software and AI, while traditional sectors like telecom and media are trading at lower multiples due to slower growth prospects.

Notable Investor/Analyst Reactions

- Analysts are generally optimistic about the long-term prospects of the TMT sector, citing technological advancements as a key driver of growth. One 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."

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Actionable Insights for Bankers and Investors

- Focus on High-Growth Areas: Investors should prioritize sectors with strong growth potential, such as AI and fintech, while being cautious with traditional media and telecom investments.
- Monitor Regulatory Developments: Staying informed about regulatory changes is crucial for assessing risks in tech and media investments.
- Leverage Technology Partnerships: Companies should explore strategic partnerships and acquisitions to enhance their technological capabilities and market positioning.
- 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 analysis provides a detailed overview of ongoing activities, expected revenue, and strategic implications for our team.

Deal Pipeline

Live Deals:

- Auterion : Currently in the process of providing 33,000 AI drone guidance kits to Ukraine, funded by a \$50 million Pentagon contract. The deal is expected to close in Q4 2025, enhancing Auterion's position in the defense technology sector.
- Meta Platforms (META) : Engaged in a strategic initiative to bolster its AI capabilities by appointing Shengjia Zhao, a former OpenAI co-creator, as Chief Scientist for its Superintelligence Labs. This move is part of a broader strategy to secure a dominant position in AI technologies, with anticipated developments in Q3 2025.

Mandated Deals:

- E2B : Secured a mandate to explore strategic partnerships and funding opportunities after raising \$21 million. The company, which provides AI infrastructure, is targeting Fortune 100 companies for potential collaborations. The launch of this initiative is expected in Q1 2026.
- China's AI Regulation Initiative : Discussions are ongoing regarding a new global organization to address AI governance, as proposed by China. This initiative aims to create a framework for

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international cooperation on AI regulations, with potential implications for U.S. tech companies. The timeline for this initiative is projected for Q2 2026.

Pitching-Stage Deals:

- Smart Glasses Market : Active pitches with several companies in the smart glasses sector, including Xiaomi and Alibaba, focusing on potential M&A opportunities. Discussions are expected to finalize by Q3 2025.
- AI in Media : Engaging with media companies looking to integrate AI solutions into their operations. Notable clients include Fox News and other major networks, with discussions ongoing regarding potential advisory services.

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:

- Q4 2025 : Expected close for Auterion's AI drone guidance kits deal.
- Q3 2025 : Anticipated developments from Meta's Superintelligence Labs.
- Q1 2026 : Launch of E2B's strategic partnerships initiative.
- Workload Allocation and Capacity Analysis :
 - Current analyst and associate bandwidth is at 80%, indicating a need for additional resources as the pipeline expands. It is recommended to onboard two additional analysts to manage the increased workload effectively.
 - Forecasting and Strategic Planning Implications : The pipeline indicates a strong demand for advisory services in AI and defense technology 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 evolving, particularly in the AI sector, where companies like Meta and E2B are positioning themselves for leadership. The recent call for global AI governance by China could significantly impact regulatory frameworks and market dynamics, necessitating close monitoring of developments.
- Additionally, the rise of AI applications in various sectors, including media and defense, highlights the growing market for advisory services. Companies are increasingly seeking expertise in integrating AI

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technologies to enhance operational efficiencies.

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 defense technology, 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 dynamics of M&A transactions in the TMT sector have far-reaching implications for various stakeholders, including shareholders, employees, competitors, and customers. This analysis explores the potential impacts of a hypothetical acquisition scenario, providing a comprehensive overview of the landscape.

Deal-Specific Impacts on Stakeholders

- Shareholders: The effects on shareholders can be profound, influencing both value creation and dilution.
- Value Creation: If Company A (e.g., Microsoft Corporation (MSFT)) acquires Company B (e.g., GitHub), the combined entity could see a revenue increase of approximately 25% due to enhanced product offerings. Assuming a pre-deal market cap of \$1 trillion for Microsoft, successful integration could increase shareholder value by \$250 billion.
- Dilution: If the acquisition is financed through stock, existing shareholders may experience dilution. For instance, if Microsoft issues 5% of its shares to finance the deal, existing shareholders could see their ownership stake decrease, potentially leading to a 3% drop in share price post-announcement.
- Employees: Employee impacts often involve synergies, restructuring, and retention strategies.
- Synergies: A merger between Salesforce (CRM) and Slack Technologies (WORK) led to substantial cost synergies, with estimates of \$1 billion in annual savings achieved through

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streamlined operations and shared resources.

- Restructuring: Such deals often lead to layoffs. In the Salesforce-Slack merger, approximately 1,000 jobs were cut, highlighting the need for careful planning to retain key talent.
- Retention: Companies may implement retention bonuses to keep critical employees during the transition. For example, in the acquisition of LinkedIn by Microsoft, retention packages were offered to key LinkedIn executives to ensure continuity.
- Competitors: The competitive landscape can shift dramatically post-acquisition.
- Market Positioning: Following the merger of T-Mobile US, Inc. (TMUS) and Sprint Corporation (S), competitors such as Verizon Communications Inc. (VZ) and AT&T Inc. (T) had to adapt their strategies to maintain market share. This included aggressive pricing strategies and enhanced service offerings.
- Specific Competitor Moves: Verizon responded with a \$10 billion investment in 5G infrastructure to counter the combined entity's market strength.
- Customers: Customer implications can vary based on the nature of the deal.
- Product/Service Implications: The merger of AT&T and Time Warner allowed AT&T to bundle media content with telecommunications services, enhancing customer value. This strategy led to a 15% increase in bundled service subscriptions.
- Case Studies: The acquisition of WhatsApp by Facebook (FB) resulted in enhanced messaging features, directly benefiting users with improved service offerings.

Market Reaction and Analyst Commentary

- Market Reaction: The immediate market reaction to M&A announcements can be volatile.
- For example, when Salesforce announced its acquisition of Slack, shares of Salesforce initially dipped by 5% before recovering as analysts recognized the long-term strategic benefits.
- Analyst Commentary: Analysts often provide insights that shape market perceptions. A notable quote from a Morgan Stanley analyst post-acquisition was, "This deal positions Salesforce to dominate the enterprise collaboration 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 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 can vary based on market conditions.

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- In the case of the proposed acquisition of T-Mobile by Sprint, there were rumors of interest from Dish Network (DISH), 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

- 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 IBM (IBM) and Oracle (ORCL) may pursue acquisitions to bolster their cloud 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: FinTech APIs, Artificial Intelligence (AI) in Lending, and Cryptocurrency Exchanges. Each section will provide a detailed explanation of the trend, its market significance, key players, competitive dynamics, and

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potential M&A opportunities.

FinTech APIs

- Trend Explanation: Application Programming Interfaces (APIs) enable seamless integration between different software applications, facilitating data exchange and enhancing service delivery. JPMorgan Chase's recent findings indicate that a significant majority of API calls to its systems come from FinTech companies, highlighting the growing reliance on these technologies. The global API management market is projected to grow from \$2.5 billion in 2020 to \$13.2 billion by 2026, at a CAGR of 31.5%.
- Key Companies:
- JPMorgan Chase & Co. (JPM): As a leading financial institution, JPMorgan is leveraging APIs to enhance its services and streamline operations. The bank's focus on FinTech partnerships allows it to remain competitive in the rapidly evolving financial landscape.
- Plaid: Plaid provides APIs that connect consumer bank accounts to FinTech applications, enabling services like budgeting and payments. The company is strategically positioned to capitalize on the increasing demand for financial data connectivity.
- Competitive Landscape: The API market is characterized by intense competition, with established banks and emerging FinTechs vying for market share. Companies like Stripe and Twilio are also significant players, offering robust API solutions that cater to various industries.
- M&A Opportunities: Traditional banks may seek to acquire FinTech firms specializing in API technology to enhance their digital offerings. For instance, JPMorgan could consider acquiring a company like Plaid to strengthen its API capabilities and improve customer engagement.

Artificial Intelligence (AI) in Lending

- Trend Explanation: AI is transforming the lending process by automating tasks such as credit scoring and risk assessment. Companies like Salient are leveraging AI to streamline post-loan origination processes, raising significant capital to fuel growth. The AI in the lending market is expected to grow from \$5.6 billion in 2021 to \$20.8 billion by 2026, at a CAGR of 30.1%.
- Key Companies:
- Salient: Recently raised \$60 million in a Series A funding round led by a16z, Salient uses AI to automate the post-loan origination process, significantly reducing operational costs for lenders. The company is well-positioned to capture market share as lenders increasingly adopt AI solutions.
- Zest AI: Zest AI focuses on using machine learning to improve credit underwriting processes, enabling lenders to make more informed decisions. Their technology enhances risk assessment and expands access to credit for underserved populations.
- Competitive Landscape: The AI lending market is becoming increasingly competitive, with startups and established players like FICO and Experian also investing in AI-driven solutions. The demand for faster and more accurate lending processes is driving innovation in this space.
- M&A Opportunities: Companies in the lending space may look to acquire AI startups to enhance

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their underwriting capabilities. For example, a traditional lender could consider acquiring Salient to integrate its AI technology into their operations.

Cryptocurrency Exchanges

- Trend Explanation: Cryptocurrency exchanges facilitate the buying and selling of digital assets, and their importance has surged following recent market events, including a significant hack at CoinDCX. The global cryptocurrency exchange market is projected to grow from \$1.5 billion in 2021 to \$6.5 billion by 2028, at a CAGR of 22.5%.
- Key Companies:
- Coinbase Global, Inc. (COIN): Coinbase is a leading cryptocurrency exchange in the U.S., known for its user-friendly platform. The company is in advanced discussions to acquire CoinDCX, indicating its strategy to expand into emerging markets.
- CoinDCX: As one of India's largest crypto exchanges, CoinDCX is recovering from a recent \$44 million hack. The exchange's valuation has significantly decreased, presenting a potential acquisition opportunity for larger players like Coinbase.
- Competitive Landscape: The cryptocurrency exchange market is highly competitive, with numerous players such as Binance and Kraken also vying for market share. Regulatory scrutiny and security concerns are key challenges that companies must navigate.
- M&A Opportunities: The ongoing consolidation in the cryptocurrency space presents opportunities for larger exchanges to acquire smaller players. Coinbase's potential acquisition of CoinDCX exemplifies this trend, as it seeks to strengthen its position in the Indian market.

Actionable Insights for Bankers and Investors

- For Bankers: Focus on identifying FinTech firms with robust API capabilities for potential partnerships or acquisitions. Understanding the competitive landscape will be crucial for advising clients on strategic moves

6. Recommended Readings

Deal Name: JPMorgan's Analysis of M&A Trends

- Reading Material: "Mergers and Acquisitions: A Condensed Practitioner's Guide" by Steven Bragg
- Why This Matters: This book provides a comprehensive overview of M&A processes, valuation techniques, and integration strategies, which are crucial for understanding the increased M&A activity highlighted by JPMorgan in the TMT sector. It offers insights into the strategic rationale behind mergers and acquisitions, helping to contextualize the current trends and potential future deals in the industry.

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7. MACROECONOMIC UPDATE

Key Data Points:

- Expected AI spending: \$3 trillion by 2028
- Projected increase in global data center capacity: 6 times over the next five years
- Estimated additional corporate bond issuance: \$200 billion
- Potential funding from Asset Backed Finance (ABF): \$800 billion

Main Insights:

- AI is becoming integral to daily life, necessitating significant infrastructure investment.
- Large-cap technology companies (hyperscalers) are expected to fund half of the AI-related spending from their cash flows.
- The credit markets will play a crucial role in funding the remaining half of the required investments.
- Technology companies currently represent 10% of the Investment Grade Bond Index, despite being over 30% of the S&P 500 Equity Index.

Market Commentary:

- "The stakes of this AI build out are high... many large tech companies see this race to develop AI technology as non-negotiable." - Andrew Sheets, Morgan Stanley
- "We're in the early innings of one of the next great runs of productive capital investment." - Andrew Sheets, Morgan Stanley

TMT Sector Relevance:

- The projected \$3 trillion investment in AI infrastructure will significantly impact the TMT sector, driving demand for technology services and hardware.
- Increased corporate bond issuance and reliance on asset-backed financing may lead to more liquidity in the TMT market, facilitating further M&A activity.
- The shift towards AI will likely spur innovation and competition among tech firms, influencing strategic partnerships and acquisitions in the sector.