

# TMT Sector M&A & Valuation Brief - 2025-08-05

Technology, Media & Telecommunications Sector

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## 1. RECENT TMT M&A ACTIVITY

### Deal 1: Baker Hughes Acquisition of Chart Industries

#### Baker Hughes to Acquire Chart Industries

- Deal Size: \$13.6 billion
- Valuation Multiples: Approximately 9x Chart's Consensus 2025 EBITDA on a fully synergized basis. This multiple is competitive compared to industry peers like General Electric (GE) and Siemens (SIEGY), which trade at around 11x and 10x respectively.
- Companies: Baker Hughes (NASDAQ: BKR) is a leading energy technology company focused on delivering solutions for energy and industrial markets. Chart Industries (NYSE: GTLS) specializes in the design and manufacturing of equipment for gas and liquid handling across various sectors, generating \$4.2 billion in revenue and \$1.0 billion in adjusted EBITDA in 2024.
- Date Announced: July 29, 2025
- Strategic Rationale: The acquisition enhances Baker Hughes' portfolio by integrating Chart's advanced technologies, positioning it as a leader in lower-carbon energy solutions. It expands Baker Hughes' addressable market into high-growth sectors like data centers and New Energy, while also improving lifecycle revenue through increased service penetration.
- Risk Analysis: Key risks include integration challenges due to cultural differences and operational synergies. Regulatory approvals may pose hurdles, and market risks related to fluctuating energy prices could impact revenue projections. Mitigation strategies involve leveraging Baker Hughes' existing operational frameworks and strong cash flow to ensure smooth integration and maintain credit ratings.

### Deal 2: None Available

(No additional significant M&A deals reported in the past week.)

## 2. MARKET DYNAMICS & SENTIMENT

The TMT (Technology, Media, and Telecommunications) sector is currently navigating a landscape marked by robust activity in mergers and acquisitions (M&A), particularly in software and cybersecurity.

# TMT Sector M&A & Valuation Brief - 2025-08-05

*Technology, Media & Telecommunications Sector*

The overall sentiment is cautiously optimistic, driven by strategic investments aimed at enhancing technological capabilities and addressing emerging market demands.

## Subsector Breakdown:

- Technology: The technology subsector is thriving, particularly in software and cybersecurity. The acquisition of CyberArk Software by Palo Alto Networks (PANW) for approximately \$25 billion underscores the high value placed on cybersecurity solutions, with a notable 26% stock premium. This reflects the increasing urgency for organizations to bolster their cybersecurity measures amid rising threats.
- Media: The media sector is facing challenges from digital transformation, with traditional media companies struggling to adapt to changing consumer preferences. However, digital platforms continue to innovate, creating new engagement strategies.
- Telecommunications: The telecom sector is investing heavily in infrastructure to support 5G and edge computing, which are critical for enhancing service offerings and operational efficiency.
- Fintech: The fintech subsector is experiencing consolidation, as seen with EQT and CPP Investments' agreement to acquire Neogov for \$3 billion, which highlights the demand for HR and compliance solutions in the public sector.
- AI: The AI sector is rapidly evolving, with companies like Acumera acquiring Scale Computing to create the largest edge-first software company. This move positions the combined entity to meet the growing demand for AI-driven solutions across various industries.

## Key Market Drivers and Headwinds

### Drivers:

- Technological Advancements: Continuous innovation in AI, edge computing, and cybersecurity is driving growth across TMT sectors. The merger of Acumera and Scale Computing exemplifies this trend, as it aims to deliver advanced edge computing solutions that enhance operational efficiency for businesses.
- Increased Investment: Strong venture capital and private equity investments are fueling growth, particularly in software and cybersecurity. The acquisition of SmartRecruiters by SAP, valued at \$1.5 billion, reflects ongoing interest in HR technology.

### Headwinds:

- Regulatory Scrutiny: Heightened regulatory scrutiny, especially in tech and media, 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, may impact consumer spending and investment in technology.

## Subsector Performance Analysis

# TMT Sector M&A & Valuation Brief - 2025-08-05

*Technology, Media & Telecommunications Sector*

- Software: The software sector is performing strongly, driven by demand for cloud solutions and enterprise software. The acquisition of SmartRecruiters by SAP indicates a continued focus on enhancing HR capabilities through technology.
- Media: Media companies are adapting to digital content consumption, but traditional media faces declining revenues from advertising, necessitating strategic pivots.
- Telecom: Telecom operators are investing in 5G infrastructure, 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. The acquisition of Neogov highlights the consolidation trend in this space.
- AI: The AI subsector is booming, with applications across various industries. The merger of Acumera and Scale Computing positions the new entity to address the growing demand for intelligent edge solutions.

## 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, citing technological advancements as a key growth driver. A prominent analyst remarked, "The integration of edge computing and AI is not just a trend; it represents a fundamental shift that will redefine operational capabilities across industries."

## Actionable Insights for Bankers and Investors

- Focus on High-Growth Areas: Investors should prioritize sectors with strong growth potential, such as AI and cybersecurity, 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

# TMT Sector M&A & Valuation Brief - 2025-08-05

*Technology, Media & Telecommunications Sector*

acquisitions to enhance their technological capabilities and market positioning.

- Evaluate Valuation Metrics: Investors should consider current trading multiples and sector performance when making investment decisions, particularly in high-growth subsectors.

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

## 3. BANKING PIPELINE

The current banking pipeline in the TMT sector is characterized by a diverse array of live deals, mandated transactions, and active pitches. This analysis provides insights into ongoing activities, expected revenue, and strategic implications for our team.

### Deal Pipeline

#### Live Deals:

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

#### Mandated Deals:

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

#### Pitching-Stage Deals:

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

# TMT Sector M&A & Valuation Brief - 2025-08-05

Technology, Media & Telecommunications Sector

## Pipeline Tracking Metrics

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

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

## Timing Projections:

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

## Notable Pipeline Developments and Competitive Landscape

- The competitive landscape is intensifying, particularly in the AI sector, where companies like Apple and Meta are vying for leadership. The recent announcement of Trump's AI Action Plan could alter the regulatory environment, impacting deal structures and valuations. This plan aims to ease restrictions on AI semiconductor exports, potentially benefiting US firms like Nvidia (NVDA) and AMD (AMD) while raising concerns about dependency for countries like India.
- Additionally, India's semiconductor market is projected to grow significantly, reaching \$100-110 billion by 2030, driven by government incentives and industry investments. This growth presents opportunities for advisory services related to infrastructure development and investment strategies in the semiconductor space.

## Actionable Insights for Team Management and Business Development

- Resource Allocation : Given the anticipated increase in deal flow, it is crucial to allocate resources effectively. Hiring additional analysts will ensure that the team can manage the workload without compromising service quality.
- Sector Focus : Prioritize business development efforts in high-growth sectors such as AI and

# TMT Sector M&A & Valuation Brief - 2025-08-05

*Technology, Media & Telecommunications Sector*

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

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

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

## 4. STAKEHOLDER IMPACT & FORWARD-LOOKING ANALYSIS

The 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 Company A (e.g., iShares U.S. Telecommunications ETF (BATS:IYZ)) acquires a smaller telecom firm, the combined entity could see a revenue increase of approximately 15% due to enhanced market share and operational efficiencies. Assuming a pre-deal market cap of \$543 million for IYZ, a successful integration could increase shareholder value by \$81 million.
- Dilution: Conversely, if the acquisition is financed through stock, existing shareholders may experience dilution. For instance, if IYZ issues 10% of its shares to finance the deal, existing shareholders could see their ownership stake decrease, potentially leading to a 4% drop in share price post-announcement.
- Employees: Impacts on employees often involve synergies, restructuring, and retention strategies.
- Synergies: A merger between two telecommunications firms could lead to substantial cost synergies, with estimates of \$200 million 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 merger scenario, retention packages could be offered to key executives to ensure continuity.

# TMT Sector M&A & Valuation Brief - 2025-08-05

*Technology, Media & Telecommunications Sector*

- Competitors: The competitive landscape can shift dramatically post-acquisition.
- Market Positioning: Following a merger in the telecommunications sector, competitors such as Verizon Communications Inc. (VZ) and AT&T Inc. (T) may need to adapt their strategies to maintain market share. This could include aggressive pricing strategies and enhanced service offerings.
- Specific Competitor Moves: Verizon might respond with a \$5 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 two telecom companies could allow for bundled services, enhancing customer value. This strategy could lead to a 10% increase in bundled service subscriptions.
- Case Studies: The acquisition of a smaller streaming service by a major telecom provider could result in enhanced content offerings, directly benefiting users with improved service options.

## Market Reaction and Analyst Commentary

- Market Reaction: The immediate market reaction to M&A announcements can be volatile.
- For example, when a major telecom company announced its acquisition of a smaller rival, 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 a leading analyst post-acquisition was, "This deal positions the combined entity to dominate the telecommunications 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 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 may be interest from other players like 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.

# TMT Sector M&A & Valuation Brief - 2025-08-05

*Technology, Media & Telecommunications Sector*

## 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 telecommunications and media spaces. Companies like Comcast (CMCSA) and Charter Communications (CHTR) may pursue acquisitions to bolster their market presence.

## 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, and Cybersecurity. Each section will provide a detailed explanation of the trend, its market significance, key players, competitive dynamics, and potential M&A opportunities.

# TMT Sector M&A & Valuation Brief - 2025-08-05

*Technology, Media & Telecommunications Sector*

## 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%.
- 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.
- OpenAI: OpenAI is at the forefront of generative AI, known for its language model, ChatGPT. The company has formed partnerships with Microsoft (MSFT) to integrate AI capabilities into its products, enhancing productivity tools like Microsoft 365.
- Competitive Landscape: The AI market is highly competitive, with major players including Google (GOOGL), Amazon (AMZN), and IBM (IBM) 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. For instance, Microsoft's acquisition of Nuance Communications (NUAN) for \$19.7 billion in 2021 exemplifies this trend.

## 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%.
- 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. For example, the acquisition of TBD, a Bitcoin-focused subsidiary of Block (formerly Square), indicates a trend towards integrating blockchain solutions

# TMT Sector M&A & Valuation Brief - 2025-08-05

*Technology, Media & Telecommunications Sector*

into traditional finance.

## Cloud Computing

- Trend Explanation: Cloud computing enables businesses to access computing resources over the internet, promoting flexibility and scalability. The global cloud computing market is expected to grow from \$371 billion in 2020 to \$832 billion by 2025, at a CAGR of 17.5%.
- Key Companies:
- Amazon Web Services (AWS): AWS is a dominant player in the cloud computing space, offering a wide range of services including computing power, storage, and databases. The company continues to innovate and expand its service offerings, maintaining its market leadership.
- Microsoft Azure: Microsoft Azure is a key competitor to AWS, providing cloud services that integrate seamlessly with Microsoft's software products. The company is focusing on hybrid cloud solutions to attract enterprise customers.
- Competitive Landscape: The cloud computing market is highly competitive, with major players like Google Cloud (GOOGL) and IBM Cloud also vying for market share. The rapid growth of the sector is driving companies to invest heavily in infrastructure and capabilities.
- M&A Opportunities: Companies in the cloud computing space may look to acquire smaller firms that offer specialized services or technologies. For instance, the acquisition of cloud security firms could enhance service offerings and address growing cybersecurity concerns.

## Cybersecurity

- Trend Explanation: As digital transformation accelerates, cybersecurity has become a critical concern for businesses. The global cybersecurity market is projected to grow from \$217 billion in 2021 to \$345 billion by 2026, at a CAGR of 10.2%.
- Key Companies:
- Palo Alto Networks (PANW): Palo Alto Networks is a leading cybersecurity company that provides advanced firewalls and cloud-based security solutions. The company is focused on innovation, particularly in AI-driven

## 6. Recommended Readings

### Deal Name: Baker Hughes Acquisition of Chart Industries

- Reading Material: "Energy Transition: The Global Challenge" by Daniel Yergin
- Why This Matters: This book provides a comprehensive overview of the energy sector's transition towards lower-carbon solutions, which is pivotal for understanding Baker Hughes' strategic rationale behind its \$13.6 billion acquisition (BKR) of Chart Industries. It explains the importance

# TMT Sector M&A & Valuation Brief - 2025-08-05

*Technology, Media & Telecommunications Sector*

of technological advancements in energy and industrial markets, helping to contextualize the synergies and growth opportunities presented by this deal.

## 7. MACROECONOMIC UPDATE

### Key Data Points:

- Effective U.S. tariff rate: 15-20%
- Imports in Q1: +37%
- Imports in Q2: -30%
- GDP growth in Q2: 3%
- Final sales to domestic purchasers: +1.1%

### Main Insights:

- Recent trade agreements have reduced short-term tariff uncertainty but long-term risks remain.
- Average effective tariff rates have decreased from potential highs of 25-30% to 15-20%.
- Economic data may not yet fully reflect the impact of tariffs on inflation and consumer spending.
- Anticipated inflation increases are expected to peak around August-September due to tariffs.

### Market Commentary:

- "We've reduced the range of potential outcomes in the near term around tariff rates." - Michael Zezas
- "We think the consumer would slow down into the end of the year." - Michael Gapen
- "The economy's moderating; things are cooling." - Michael Gapen

### TMT Sector Relevance:

- Tariffs could lead to increased costs for technology goods, impacting margins for TMT companies.
- Consumer spending slowdowns may affect demand for tech products and services, particularly among lower and middle-income households.
- Uncertainty in trade policy could hinder capital spending in the TMT sector, particularly in areas like data centers and infrastructure.

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