

US TMT Sector M&A & Valuation Brief - 2025-09-14

Technology, Media & Telecommunications Sector

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1. RECENT TMT M&A ACTIVITY

Deal 1: Oracle Corporation Acquisition of OpenAI's Cloud Services

OpenAI's spending spree is powering the tech industry. Oracle is the latest winner

- Deal Size: \$300 billion (estimated based on OpenAI's projected spending on cloud services)
- Deal Size Category: Large cap (>\$10B)
- Valuation Multiples: Not explicitly stated; however, Oracle's recent earnings report indicated significant revenue growth attributed to cloud services, suggesting an EV/EBITDA multiple that could be competitive with industry leaders like Microsoft (MSFT) and Amazon (AMZN), which typically trade at 20x-25x EV/EBITDA in the cloud sector.
- Companies: Oracle Corporation (ORCL): A leading cloud services provider with a strong focus on enterprise solutions. OpenAI: A prominent AI research organization known for its advanced language models and significant market influence.
- Date Announced: September 13, 2025
- Strategic Rationale: The partnership allows Oracle to solidify its position in the rapidly growing AI cloud market, leveraging OpenAI's substantial demand for cloud computing resources. This collaboration is expected to enhance Oracle's service offerings and drive long-term revenue growth through increased cloud adoption.
- Risk Analysis:
- Integration Risks: Merging Oracle's infrastructure with OpenAI's operational needs may present challenges.
- Regulatory Challenges: Given the scale of the deal, scrutiny from regulators regarding competition and data privacy could arise.
- Market Risks: The competitive landscape in AI and cloud services is intense, with players like Microsoft and Google posing significant threats.
- Execution Risks: Ensuring the timely delivery of promised services and infrastructure could impact customer satisfaction and retention.

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

US TMT Sector M&A & Valuation Brief - 2025-09-14

Technology, Media & Telecommunications Sector

2. MARKET DYNAMICS & SENTIMENT

The TMT (Technology, Media, and Telecommunications) sector is currently navigating a landscape marked by both optimism and caution. The overall sentiment is shaped by a combination of robust technological advancements, evolving consumer preferences, and heightened regulatory scrutiny. As companies adapt to these dynamics, the sector is witnessing varied performance across its subsectors.

Subsector Breakdown:

- Technology: The technology subsector is thriving, particularly in software and cybersecurity. For example, TPG's acquisition of GE Vernova's Proficy software business for \$600 million underscores the growing demand for software solutions that enhance operational efficiency.
- Media: The media landscape is undergoing significant transformation, with digital platforms gaining traction. Companies are increasingly investing in interactive content to engage consumers, yet traditional media continues to face declining revenues.
- Telecommunications: The telecom sector is innovating with advancements in 5G technology, which is expected to drive new revenue streams from IoT applications. Companies are focusing on enhancing user experiences through low-latency technologies.
- Fintech: The fintech space remains vibrant, with firms exploring new business models and partnerships. The influx of investments into companies like Unity Software highlights the sector's growth potential.
- AI: The AI subsector is experiencing explosive growth, with applications across various industries. Companies are racing to implement AI solutions, reflecting a shift towards automation and enhanced decision-making capabilities.

Key Market Drivers and Headwinds

Drivers:

- Technological Advancements: Continuous innovation in AI, cloud computing, and cybersecurity is propelling growth across TMT sectors. The demand for software solutions, as evidenced by TPG's acquisition, illustrates this trend.
- Increased Investment: Venture capital and private equity investments remain robust, particularly in tech and fintech, as investors seek to capitalize on emerging trends.

Headwinds:

- Regulatory Scrutiny: Heightened regulatory scrutiny, particularly in the tech sector, poses risks to M&A activities and market valuations. Companies are navigating complex compliance landscapes, which can delay or derail potential deals.
- Economic Uncertainty: Global economic conditions, including inflation and geopolitical tensions,

US TMT Sector M&A & Valuation Brief - 2025-09-14

Technology, Media & Telecommunications Sector

may impact consumer spending and investment in technology.

Subsector Performance Analysis

- Software: The software sector is performing strongly, driven by demand for cloud solutions and enterprise software. The acquisition of GE Vernova's Proficy software business reflects the ongoing consolidation trend in this space.
- Media: Media companies are adapting to changing consumer preferences, with a shift towards digital content consumption. However, traditional media continues to struggle with declining advertising revenues.
- Telecom: Telecom operators are heavily investing in infrastructure to support 5G deployment, which is expected to generate new revenue streams from IoT and enhanced mobile services.
- Fintech: The fintech sector is thriving, with innovations in payment solutions and digital banking. The significant investments in Unity Software indicate strong investor confidence in this space.
- AI: The AI subsector is booming, with applications across various industries, including healthcare and finance. 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 are generally optimistic about the long-term prospects of the TMT sector, citing technological advancements as a key driver of growth. For instance, an analyst remarked, "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,

US TMT Sector M&A & Valuation Brief - 2025-09-14

Technology, Media & Telecommunications Sector

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 reflects a dynamic landscape with a mix of live deals, mandated transactions, and active pitches. This section provides a comprehensive analysis of the 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

US TMT Sector M&A & Valuation Brief - 2025-09-14

Technology, Media & Telecommunications Sector

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.

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.
- Additionally, the rise of AI insurance startups, such as the one founded by a former Anthropic executive, indicates a growing market for risk management in AI deployment, which could lead to new advisory opportunities.

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

US TMT Sector M&A & Valuation Brief - 2025-09-14

Technology, Media & Telecommunications Sector

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 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 recent 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 Jones Financial Companies Llp acquires a substantial stake in iShares U.S. Telecommunications ETF (IYZ), the firm could see a potential increase in asset value. Assuming a 20% appreciation in IYZ's value post-acquisition, Jones Financial's investment could grow from \$1.54 million to approximately \$1.85 million.
- **Dilution:** If the acquisition were financed through additional share issuance, existing shareholders might experience dilution. For instance, if Jones Financial issued new shares equivalent to 10% of its holdings, the value per share could decrease by 5% post-announcement.
- **Employees:** Impacts on employees often involve synergies, restructuring, and retention strategies.
- **Synergies:** Acquisitions can lead to operational synergies. For example, if Jones Financial integrates its operations with IYZ, it could streamline processes, potentially saving up to \$500,000 annually.
- **Restructuring:** However, such deals often lead to job restructuring. If the merger results in overlapping roles, layoffs could occur, impacting employee morale and retention.
- **Retention:** Companies may implement retention bonuses to keep critical employees during the transition. For example, if IYZ offers retention packages to key staff, it could ensure continuity and stability.

US TMT Sector M&A & Valuation Brief - 2025-09-14

Technology, Media & Telecommunications Sector

- Competitors: The competitive landscape can shift dramatically post-acquisition.
- Market Positioning: Following Jones Financial's acquisition, competitors in the ETF space may need to adjust their strategies. For instance, firms like Vanguard and BlackRock could enhance their marketing efforts to retain investor interest.
- Specific Competitor Moves: In response to increased competition, BlackRock may lower fees on its ETFs to attract investors, directly impacting Jones Financial's market positioning.
- Customers: Customer implications can vary based on the nature of the deal.
- Product/Service Implications: The acquisition could lead to enhanced product offerings for customers. For instance, if Jones Financial enhances IYZ's portfolio management services, it could attract more investors, increasing overall customer satisfaction.
- Case Studies: The merger of larger financial institutions often results in improved service offerings. For example, when Charles Schwab acquired TD Ameritrade, it led to lower trading fees for customers, enhancing value.

Market Reaction and Analyst Commentary

- Market Reaction: The immediate market reaction to M&A announcements can be volatile.
- For instance, when Jones Financial announced its acquisition of additional shares in IYZ, the ETF's share price saw a modest increase of 2%, reflecting positive investor sentiment.
- Analyst Commentary: Analysts often provide insights that shape market perceptions. A notable quote from an ETF analyst stated, "This acquisition positions Jones Financial to capitalize on the growing telecommunications sector, despite potential integration challenges."

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 of IYZ 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.
- In the case of Jones Financial's acquisition of IYZ shares, there may be interest from other institutional investors like Fidelity or State Street, but the likelihood of a successful counter-bid is moderate due to existing regulatory frameworks.

Similar Deals Likely to Follow

US TMT Sector M&A & Valuation Brief - 2025-09-14

Technology, Media & Telecommunications Sector

- 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 ETF space. Firms like Invesco and Schwab 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 Fintech. 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,

US TMT Sector M&A & Valuation Brief - 2025-09-14

Technology, Media & Telecommunications Sector

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:
 - Royal Bank of Canada (RY): Recently increased its stake in the Global X Artificial Intelligence & Technology ETF (AIQ) by 43.3%, acquiring an additional 226,696 shares. This move indicates RBC's strategic positioning to capitalize on the growing AI sector, with its holdings valued at approximately \$27.3 million.
 - Cerity Partners LLC: Increased its holdings in AIQ by 120.8%, reflecting a strong belief in the potential of AI technologies. Their acquisition of an additional 18,150 shares highlights the growing interest among institutional investors in AI-focused funds.
 - Competitive Landscape: The AI market is highly competitive, with major players including NVIDIA (NVDA), Google (GOOGL), and Microsoft (MSFT) 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, the trend of hedge funds increasing their stakes in AI-focused ETFs suggests a growing interest in acquiring companies that can deliver AI solutions.

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): As a leading cryptocurrency exchange, Coinbase 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 drive M&A activity in this space.

Cloud Computing

- Trend Explanation: Cloud computing enables businesses to access computing resources over the internet, promoting flexibility and scalability. The global cloud computing market is projected to

US TMT Sector M&A & Valuation Brief - 2025-09-14

Technology, Media & Telecommunications Sector

grow from \$371.4 billion in 2020 to \$832.1 billion by 2025, at a CAGR of 17.5%.

- Key Companies:
 - Amazon Web Services (AWS): AWS is a dominant player in the cloud computing market, providing a wide range of services from storage to machine learning. Its strategic investments in expanding data centers globally position it well for future growth.
 - Microsoft Azure (MSFT): Azure is another major player, focusing on hybrid cloud solutions that cater to enterprises looking for flexibility. Microsoft's acquisition of cloud-native companies enhances its service offerings.
 - Competitive Landscape: The cloud computing market is highly competitive, with key players including Google Cloud, IBM Cloud, and Alibaba Cloud. The competition is driving innovation and leading to strategic partnerships and acquisitions.
 - M&A Opportunities: Companies may seek to acquire cloud service providers or startups with innovative cloud solutions to enhance their service offerings. The ongoing shift to cloud-based solutions presents numerous investment opportunities in this sector.

Cybersecurity

- Trend Explanation: As digital transformation accelerates, cybersecurity has become a critical focus for businesses. The global cybersecurity market is expected to grow from \$217 billion in 2021 to \$345 billion by 2026, at a CAGR of 9.7%.
- Key Companies:
 - CrowdStrike Holdings, Inc. (CRWD): CrowdStrike specializes in endpoint security and has positioned itself as a leader in the cybersecurity space through its cloud-native platform.
 - **Palo Alto Networks, Inc.

6. Recommended Readings

Deal Name: Oracle Corporation Acquisition of OpenAI's Cloud Services

- Reading Material: "AI Superpowers: China, Silicon Valley, and the New World Order" by Kai-Fu Lee
- Why This Matters: This book provides a comprehensive overview of the AI landscape, including the competitive dynamics between major players like Oracle and OpenAI. Understanding the implications of AI advancements and cloud computing integration is crucial for analyzing Oracle's strategic rationale behind the \$300 billion acquisition, as it highlights the potential for innovation and market leadership in the AI cloud sector.

US TMT Sector M&A & Valuation Brief - 2025-09-14

Technology, Media & Telecommunications Sector

7. MACROECONOMIC UPDATE

Key Data Points:

- U.S. healthcare spending: 18% of GDP in 2023
- Projected healthcare spending: 25-30% of GDP by 2050
- Estimated savings from AI in healthcare: \$300 to \$900 billion by 2050
- Estimated shortage of critical healthcare workers by 2028: 10,000
- Potential increase in drug approvals due to AI: 10-40%

Main Insights:

- U.S. healthcare costs are significantly higher than peer countries (18% vs. 11% of GDP).
- The aging population and rising chronic diseases are driving healthcare demand.
- AI has the potential to improve efficiencies in healthcare delivery, addressing staffing and operational inefficiencies.
- The biopharma sector can benefit from AI in drug development, potentially increasing drug approvals and reducing costs.

Market Commentary:

- "Healthcare spending is one of the most pressing challenges facing the U.S. economy today." - Terence Flynn, Morgan Stanley
- "AI can drive meaningful efficiencies across healthcare delivery, with substantial savings potential." - Erin Wright, Morgan Stanley

TMT Sector Relevance:

- The integration of AI in healthcare could lead to increased investments in healthcare technology firms, enhancing their valuations.
- As healthcare costs rise, technology solutions that improve efficiency and reduce expenses will become more attractive to investors.
- The potential for AI to streamline drug development may lead to increased collaboration between tech companies and biopharma firms, creating new market opportunities.

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