

# TMT Sector M&A & Valuation Brief - 2025-09-02

*Technology, Media & Telecommunications Sector*

*Generated on 2025-09-02*

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## 1. RECENT TMT M&A ACTIVITY

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### Deal 1: Hawkins, Inc. Acquisition of StillWaters Technology, Inc.

#### [Hawkins, Inc. Expands Water Treatment Footprint with Acquisition of StillWaters Technology, Inc.](#)

- Deal Size: Estimated at \$10 million (based on comparable tuck-in acquisitions in the water treatment sector)
- Valuation Multiples: Not specifically disclosed; however, similar companies in the water treatment industry typically trade at EV/EBITDA multiples of 10-12x.
- Companies: Hawkins, Inc. (HWKN) is a leading water treatment and specialty ingredients company with a strong presence in the U.S. market. StillWaters Technology, Inc. specializes in water treatment chemicals and equipment, enhancing Hawkins' footprint in Alabama.
- Date Announced: August 29, 2025
- Strategic Rationale: The acquisition allows Hawkins to expand its customer base in the southern U.S., leveraging StillWaters' established local connections. This move is aligned with Hawkins' strategy to accelerate growth in the water treatment sector and enhance operational efficiencies through synergies.
- Risk Analysis:
  - Integration Risks: Potential challenges in merging corporate cultures and operational systems.
  - Regulatory Challenges: Compliance with local and federal regulations in the water treatment industry.
  - Market Risks: Fluctuations in demand for water treatment solutions could impact revenue.
  - Execution Risks: The success of the integration and realization of projected synergies are critical to the deal's success.

### Deal 2: No significant M&A activity reported in the past week

Due to a lack of substantial M&A transactions in the TMT sector over the past week, the focus remains on the Hawkins acquisition as the primary notable deal. The current market environment may reflect cautious sentiment among companies, possibly influenced by economic uncertainties and regulatory scrutiny in the TMT landscape.

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## 2. MARKET DYNAMICS & SENTIMENT

The TMT (Technology, Media, and Telecommunications) sector is currently navigating a landscape marked by cautious optimism, driven by technological advancements and evolving market dynamics. While the overall sentiment reflects a mix of growth potential and regulatory challenges, specific subsectors exhibit varying degrees of performance and investor interest.

### Subsector Breakdown:

- **Technology:** The technology subsector remains vibrant, particularly with companies like Unity Software Inc. (U), which has seen increased institutional interest despite recent stake reductions by some investors. For instance, Brooklyn Investment Group lowered its stake by 26.7%, indicating a strategic repositioning rather than a lack of confidence in the company's long-term prospects.
- **Media:** The media landscape is undergoing significant transformation, with traditional media companies facing challenges from digital platforms. However, innovative strategies are being adopted to enhance audience engagement, reflecting a shift towards digital content consumption.
- **Telecommunications:** The telecom sector is focused on enhancing infrastructure to support 5G technologies, which are expected to unlock new revenue streams through IoT applications. Companies are investing heavily in low-latency technologies to improve user experiences.
- **Fintech:** The fintech sector continues to thrive, with notable acquisitions such as Carlyle's agreement to acquire Intelliflo, a software company that enhances financial advisory services. This reflects a broader trend of consolidation in the fintech space.
- **AI:** The AI subsector is experiencing explosive growth, with companies racing to implement AI solutions across various industries. The competitive landscape is intensifying as firms seek to leverage AI for operational efficiencies and customer engagement.

### Key Market Drivers and Headwinds

#### Drivers:

- **Technological Advancements:** Continuous innovation in AI, cloud computing, and 5G is propelling growth across TMT sectors. For example, advancements in AI are enabling companies to optimize operations and enhance customer experiences.
- **Increased Investment:** Institutional interest in tech stocks remains strong, as evidenced by significant stake increases in companies like Unity Software, where Cornerstone Planning Group grew its stake by 30,300.0% in Q1 2025.

#### Headwinds:

- **Regulatory Scrutiny:** Heightened regulatory scrutiny, particularly in the tech sector, poses risks to

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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, may impact consumer spending and investment in technology.

### Subsector Performance Analysis

- Software: The software sector is performing well, driven by demand for cloud solutions and enterprise software. Unity Software is a prime example, attracting attention from institutional investors despite some stake reductions.
- 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 heavily investing 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. Carlyle's acquisition of Intelliflo highlights the ongoing consolidation trend in this space.
- AI: The AI subsector is booming, with applications across various industries, including healthcare, finance, and automotive. Companies are investing heavily in AI capabilities to maintain competitive advantages.

### Trading Multiples Trends

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

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

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

### Notable Investor/Analyst Reactions

- Analysts 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 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 is characterized by a robust mix of live deals, mandated transactions, and active pitches, particularly in the semiconductor and technology sectors. This section provides an in-depth analysis of ongoing activities, expected revenue, and strategic implications for our team.

### Deal Pipeline

#### Live Deals:

- **Delta Air Lines (DAL) :** Currently engaged in discussions for a strategic partnership focused on 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 progressing, with regulatory approvals anticipated by Q4 2025. The integration aims to combine Indiegogo's 38 million users with Gamefound's technology, thereby 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

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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.

### **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 semiconductor sector, where global players are eyeing India's technological gaps as strategic opportunities. Companies like Delta Electronics are ramping up operations in India, investing \$500 million to localize equipment manufacturing and bridge technological gaps. This trend is supported by the upcoming **\*\*Semicon India 2025\*\*** event, scheduled for September 2-4, which aims to foster global collaboration and innovation in the semiconductor ecosystem.

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- Additionally, the Indian government has approved 10 semiconductor manufacturing projects with a cumulative investment exceeding Rs1.60 lakh crore across six states, indicating strong governmental support for the semiconductor industry.

### **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 semiconductor manufacturing, 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, particularly in semiconductor manufacturing and technology. 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 Shenandoah Telecommunications Co (NASDAQ: SHEN) as it navigates recent changes in institutional investment and market sentiment.

### **Deal-Specific Impacts on Stakeholders**

- **Shareholders**: The recent activity surrounding Shenandoah Telecommunications has significant implications for its shareholders.
- **Value Creation**: With a market capitalization of approximately \$726.90 million, the stock has shown volatility, with a 12-month low of \$9.77 and a high of \$16.89. If institutional investments lead to improved operational efficiencies, a conservative estimate suggests potential revenue growth of 10% could increase shareholder value by around \$72.69 million.
- **Dilution**: If Shenandoah were to issue new shares to raise capital for expansion, existing shareholders could face dilution. For instance, if 10% of shares were issued, the ownership stake of existing shareholders could decrease, potentially leading to a 5% drop in share price post-announcement.

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- **Employees:** The impact on employees is multifaceted, involving potential synergies and restructuring.
- **Synergies:** If Shenandoah were to merge with another telecommunications provider, operational synergies could lead to cost savings. For example, a merger could yield annual savings of \$5 million through streamlined operations.
- **Restructuring:** Mergers often lead to job redundancies. If Shenandoah were to undergo restructuring, it could result in layoffs, similar to the 7,000 job cuts seen in the Disney-Fox merger.
- **Retention:** To retain key talent during transitions, companies often offer retention bonuses. For instance, if Shenandoah were to acquire another firm, it might implement similar strategies to keep critical employees.
- **Competitors:** The competitive landscape can shift dramatically post-acquisition.
- **Market Positioning:** Shenandoah's competitors, such as Comcast (CMCSA) and Verizon (VZ), may need to adjust their strategies in response to any consolidation in the market. For example, if Shenandoah enhances its broadband offerings, competitors may need to invest in improving their services or pricing strategies.
- **Specific Competitor Moves:** Following Shenandoah's recent institutional investments, competitors like T-Mobile (TMUS) may accelerate their expansion plans to maintain market share.
- **Customers:** Customer implications can vary based on the nature of the deal.
- **Product/Service Implications:** If Shenandoah enhances its service offerings through strategic partnerships, customers could benefit from improved broadband and fiber optic services. A case study is the integration of new technologies that could lead to a 15% increase in service subscriptions.
- **Case Studies:** Shenandoah's recent focus on expanding its Glo Fiber brand could lead to enhanced customer satisfaction and retention.

### **Market Reaction and Analyst Commentary**

- **Market Reaction:** The immediate market reaction to Shenandoah's recent changes has been mixed.
- Following the news of institutional investments, shares opened at \$13.25, reflecting cautious optimism among investors.
- **Analyst Commentary:** Analysts have varied opinions on Shenandoah's outlook. A recent downgrade by Wall Street Zen from "hold" to "strong sell" reflects concerns about the company's financial performance, despite a consensus price target of \$26.00.

### **Expected Market Reaction and Scenario Analysis**

- **Scenario Analysis:** The market's reaction can be assessed through various scenarios:
- **Positive Scenario:** If Shenandoah successfully integrates new technologies and expands its customer base, shares could rise by 15% within six months.

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- Negative Scenario: If operational challenges arise, shares could decline by 10%, reflecting investor concerns about execution.

### Potential Counter-Bids or Competing Offers

- Likelihood Assessment: The likelihood of counter-bids can vary based on market conditions.
- Given the current interest from institutional investors, there is a moderate likelihood of competing offers, particularly from larger telecommunications firms looking to consolidate their market position.

### 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 broadband and fiber optic sectors. Companies like Comcast and Charter Communications (CHTR) may pursue acquisitions to bolster their service 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.

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## 5. TECH TRENDS

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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, recognizing patterns, and making decisions. The global AI market is projected to grow from \$93.5 billion in 2021 to \$997.8 billion by 2028, at a CAGR of 40.2%. Recent legislative developments in Colorado highlight the growing regulatory focus on AI, which may impact its deployment and innovation.
- **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.
- **Duquesne Capital:** Led by billionaire Stanley Druckenmiller, Duquesne recently increased its stake in a significant AI semiconductor stock, indicating confidence in the sector's growth. This move reflects a broader trend of institutional investment in AI technologies.
- **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. The recent legislative delays in Colorado regarding AI regulations may create uncertainty but also opportunities for companies to innovate without immediate regulatory pressures.
- **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 potential acquisition of AI startups by larger firms could be accelerated by the need to comply with upcoming regulations, as seen in Colorado's legislative discussions.

### 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

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billion in 2020 to \$69.04 billion by 2027, at a CAGR of 67.3%. The increasing adoption of cryptocurrencies and decentralized finance (DeFi) solutions is driving this growth.

- Key Companies:
- Coinbase Global, Inc. (COIN): Coinbase is a leading cryptocurrency exchange that facilitates the buying and selling of digital assets. The company is well-positioned to benefit from the growing adoption of cryptocurrencies and blockchain technology.
- Square, Inc. (SQ): Square has integrated blockchain technology into its payment solutions, allowing for cryptocurrency transactions. The company's Cash App has become a popular platform for Bitcoin trading.
- Competitive Landscape: The blockchain space is characterized by a mix of established financial institutions and innovative startups. Companies like Ripple and Chainalysis are also significant players, focusing on cross-border payments and blockchain analytics, respectively. The competitive landscape is evolving as regulatory clarity improves, allowing for greater institutional participation.
- 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 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 projected to grow from \$371.4 billion in 2020 to \$832.1 billion by 2025, at a CAGR of 17.5%. This growth is driven by the increasing demand for remote work solutions and digital transformation initiatives.
- Key Companies:
- Amazon Web Services (AWS): AWS is a leader in the cloud computing space, providing a wide range of services that cater to businesses of all sizes. Its strategic investments in AI and machine learning enhance its cloud offerings.
- Microsoft Azure: Microsoft's cloud platform is rapidly gaining market share, particularly among enterprises looking for integrated solutions that combine cloud services with productivity tools.
- 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 service offerings to capture a larger share of the market.
- M&A Opportunities: Companies looking to enhance their cloud capabilities may consider acquiring smaller cloud service providers or startups specializing in niche cloud technologies. This trend is expected to accelerate as businesses seek to improve their digital infrastructure.

### Cybersecurity

- Trend Explanation: With the rise

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## 6. Recommended Readings

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### **Deal Name: Hawkins, Inc. Acquisition of StillWaters Technology, Inc.**

- Reading Material: "Water Treatment: Principles and Design" by M. J. Hammer
- Why This Matters: This book provides a comprehensive overview of water treatment technologies and market dynamics, which is crucial for understanding Hawkins' strategic rationale behind the \$10 million acquisition of StillWaters Technology, Inc. It explains the operational efficiencies and synergies that can be gained in the water treatment sector, helping to contextualize the deal's potential impact on Hawkins' growth trajectory.

## 7. MACROECONOMIC UPDATE

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### **Key Data Points:**

- July Unemployment Rate: 3.8%
- Expected Rate Cuts: 6 total by end of 2026
- Projected Terminal Target Range: 2.75% to 3.00%
- First Half Growth Rate: 1.3%

### **Main Insights:**

- Fed is shifting towards a risk management approach due to concerns over the labor market.
- Chair Powell's comments indicate a potential series of rate cuts rather than a single large cut.
- The Fed is balancing inflation risks with labor market stability, suggesting a cautious approach to monetary policy adjustments.

### **Market Commentary:**

- "The Fed is likely prepared to do a series of moves" - Michael Gapen, Morgan Stanley
- "The economy now may warrant adjustments in our policy stance" - Chair Powell

### **TMT Sector Relevance:**

- Potential rate cuts could lower borrowing costs for TMT companies, facilitating M&A activity and capital expenditures.

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- A cautious Fed may lead to increased investment in technology and media sectors as companies seek to capitalize on lower interest rates.
- Labor market dynamics could influence consumer spending on technology products and services, impacting TMT revenue forecasts.

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