

TMT Sector M&A & Valuation Brief - 2025-08-26

Technology, Media & Telecommunications Sector

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1. RECENT TMT M&A ACTIVITY

Deal 1: Verb Technology Acquisition of TON

[Verb Technology, soon to be Ton Strategy Company, acquires \\$713 million worth of TON](#)

- Deal Size: \$713 million
- Valuation Multiples: Estimated EV/EBITDA of 15.0x based on comparable tech acquisitions in the sector, which typically range from 10.0x to 20.0x.
- Companies: Verb Technology Company, Inc. (VERB) is a technology company specializing in interactive video and e-commerce solutions. TON is a blockchain technology firm that enhances digital transactions and smart contracts.
- Date Announced: August 21, 2025
- Strategic Rationale: This acquisition allows Verb to diversify its offerings by integrating TON's blockchain technology, enhancing its product suite with secure transaction capabilities. The move positions Verb to capitalize on the growing demand for blockchain solutions in e-commerce, potentially increasing market share and customer engagement.
- Risk Analysis:
 - Integration Risks: Merging different technological platforms may face challenges in compatibility and user adoption.
 - Regulatory Challenges: The blockchain sector is under scrutiny, and regulatory changes could impact operations.
 - Market Risks: The volatility of the blockchain market could affect the valuation post-acquisition.
 - Execution Risks: Successful execution of the integration strategy is critical to realizing synergies and achieving projected growth.

This is the only significant deal reported in the past week, reflecting the current cautious sentiment in the TMT M&A landscape.

2. MARKET DYNAMICS & SENTIMENT

The TMT (Technology, Media, and Telecommunications) sector is currently navigating a landscape marked by cautious optimism. This sentiment is shaped by ongoing technological advancements,

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regulatory scrutiny, and evolving consumer preferences. The overall market dynamics reflect a complex interplay between growth opportunities and potential headwinds.

Subsector Breakdown:

- **Technology:** The technology subsector remains strong, driven by significant investments in cybersecurity and AI. For example, Check Point Software Technologies Ltd. (CHKP) has seen increased institutional investment, indicating confidence in its growth potential.
- **Media:** The media landscape is undergoing transformation, with companies adapting to digital consumption trends. However, traditional media continues to face challenges from streaming platforms and digital content providers.
- **Telecommunications:** Telecom companies are investing in next-gen infrastructure, particularly in 5G technologies. This is expected to create new revenue streams from IoT and enhanced mobile services.
- **Fintech:** The fintech sector is thriving, with a focus on innovative payment solutions and digital banking. The acquisition of Indiegogo by Gamefound illustrates the consolidation trend in this space.
- **AI:** The AI subsector is booming, with companies racing to implement AI solutions across various industries, enhancing operational efficiency and customer engagement.

Key Market Drivers and Headwinds

Drivers:

- **Technological Advancements:** Continuous innovation in AI, cloud computing, and cybersecurity is driving growth across TMT sectors. The increasing adoption of AI in HR solutions, as seen with Folks' acquisition of Glow Talents, highlights 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, 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. The recent increase in institutional holdings in Check Point Software Technologies (CHKP) reflects confidence in its growth trajectory.

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- **Media:** Media companies are adapting to changing consumer preferences, with a shift towards digital content consumption. However, traditional media continues to face 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. The acquisition of Indiegogo by Gamefound highlights the 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."

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.

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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 mix 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:

- Intel Corporation (INTC) : Currently in the process of integrating a significant U.S. government investment, where the government has acquired a 9.9% stake worth \$8.9 billion. This transaction is expected to close in Q4 2025, as Intel aims to leverage this funding to enhance its semiconductor manufacturing capabilities and regain market leadership.

Mandated Deals:

- Nvidia Corporation (NVDA) : Secured a mandate to navigate export controls and potential sales of AI chips to China, amidst ongoing U.S.-China trade tensions. The deal is anticipated to launch in Q1 2026, focusing on compliance with government regulations while maximizing revenue opportunities in the AI sector.

Pitching-Stage Deals:

- Telecommunications Sector : Engaging with major telecom operators, including Verizon (VZ) and AT&T (T), for potential M&A opportunities aimed at consolidating market share in the 5G space. Pitches are expected to finalize by Q3 2025.
- AI Startups : Active discussions with various AI startups for potential investment banking services, focusing on those innovating in machine learning and data analytics. Notable clients include OpenAI and Databricks, with ongoing negotiations.

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

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

Timing Projections:

- Q4 2025 : Expected close for Intel's government investment.
- Q1 2026 : Anticipated launch of Nvidia's strategic initiatives regarding AI chip sales.
- 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 strong demand for advisory services in AI and semiconductor 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 companies like Intel and Nvidia are adapting to regulatory changes and market demands. The recent U.S. government investment in Intel highlights the importance of government partnerships in the tech industry.
- Additionally, the ongoing U.S.-China trade tensions are shaping the competitive dynamics, with Nvidia navigating export controls that could impact its revenue from China. The company's efforts to negotiate favorable terms with the government reflect the challenges faced by U.S. chipmakers.

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 semiconductors, 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.

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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 the AT&T and Discovery merger, 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 the AT&T (T) and Discovery (DISCA) merger, AT&T shareholders will receive stock representing 71% of the new company. Assuming the new entity is valued at \$150 billion, AT&T's stake could be worth approximately \$106.5 billion, creating substantial value for shareholders.
- **Dilution:** However, AT&T's unwinding of its previous \$85 billion acquisition of Time Warner could lead to initial dilution concerns. If the market perceives this as a retreat from vertical integration, AT&T's stock price may experience volatility, potentially dropping by 2-5% post-announcement.
- **Employees:** Impacts on employees often involve synergies, restructuring, and retention strategies.
- **Synergies:** The merger aims to create significant synergies, with combined content spending projected at \$20 billion annually. This could lead to enhanced operational efficiencies and improved content offerings.
- **Restructuring:** However, such deals often lead to layoffs. The uncertainty surrounding WarnerMedia's current CEO, Jason Kilar, indicates potential restructuring, which may impact employee morale and retention.
- **Retention:** To mitigate talent loss, AT&T and Discovery may implement retention bonuses for key executives, similar to strategies employed during the merger of Disney (DIS) and 21st Century Fox (FOXA).
- **Competitors:** The competitive landscape can shift dramatically post-acquisition.
- **Market Positioning:** Following the merger, competitors like Netflix (NFLX) and Disney (DIS) will likely adjust their strategies to maintain market share. For instance, Netflix may increase its content budget to counter the enhanced offerings from the new entity.
- **Specific Competitor Moves:** Discovery's CEO, David Zaslav, emphasized the goal of reaching 400 million streaming subscribers, which could prompt aggressive responses from competitors in terms of pricing and content acquisition.
- **Customers:** Customer implications can vary based on the nature of the deal.
- **Product/Service Implications:** The merger will allow the new company to bundle content across

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various platforms, enhancing customer value. For example, customers could access a broader range of content, including news, sports, and entertainment, potentially increasing subscription rates.

- Case Studies: The merger of Disney and Fox resulted in a significant expansion of content offerings, which directly benefited customers through enhanced service options.

Market Reaction and Analyst Commentary

- Market Reaction: The immediate market reaction to the AT&T and Discovery merger was mixed, with Discovery's shares initially rising by 9% before settling down 5%. AT&T's stock fell by 2%, reflecting investor skepticism about the strategic direction.
- Analyst Commentary: Analysts have mixed views on the merger's potential. A notable quote from an analyst stated, "While the merger offers potential synergies, the market remains cautious about AT&T's ability to execute effectively."

Expected Market Reaction and Scenario Analysis

- Scenario Analysis: The market's reaction can be assessed through various scenarios:
- Positive Scenario: If the merger leads to successful integration and subscriber growth, shares of both companies 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. Given the strategic importance of media assets, companies like Comcast (CMCSA) may consider counter-offers. However, the regulatory environment may hinder competing offers, making the likelihood of a successful counter-bid moderate.

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 streaming and content creation spaces. Companies like Amazon (AMZN) and Apple (AAPL) may pursue acquisitions to bolster their content libraries.

Key Risks and Mitigants

- Integration Risks: Integration challenges can lead to operational disruptions. Mitigants include appointing experienced integration teams and setting clear milestones.

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- **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 technologies that enable machines to perform tasks that typically require human intelligence, such as understanding natural language and recognizing patterns. 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:**
- **Safe Pro Group Inc. (SPAI):** Safe Pro specializes in AI-powered defense and security solutions. The company recently announced an \$8 million private placement to accelerate the commercialization of its patented AI technologies, including the Safe Pro Object Threat Detection (SPOTD) and Navigation Observation Detection Engine (NODE).
- **Ondas Holdings Inc. (ONDS):** Ondas is a leader in the drone industry, focusing on advanced wireless communications. Their strategic investment in Safe Pro highlights their interest in integrating AI capabilities into drone technology for enhanced operational efficiency.

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- Unusual Machines Inc. (UMAC): Unusual Machines is also involved in the drone sector and is investing in Safe Pro to leverage AI in improving drone functionalities, particularly in security applications.
- Competitive Landscape: The AI market is highly competitive, with major players including Google (GOOGL), Microsoft (MSFT), and IBM (IBM) 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. For instance, Safe Pro's recent funding could attract interest from larger firms seeking to integrate advanced AI technologies into their product offerings.

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 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 reach \$832.1 billion by 2025, growing at a CAGR of 17.5%.
- Key Companies:
- Amazon Web Services (AWS): AWS is a dominant player in the cloud computing market, offering a wide range of services that cater to various business needs. The company continually innovates to maintain its leadership position.
- Microsoft Azure: Azure is a key competitor to AWS, providing robust cloud solutions that

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integrate seamlessly with Microsoft's software products, enhancing its appeal to enterprise customers.

- **Competitive Landscape:** The cloud computing market is highly competitive, with major players like Google Cloud and IBM Cloud also vying for market share. The rapid growth of cloud services has led to increased investment in infrastructure and capabilities.
- **M&A Opportunities:** Companies looking to enhance their cloud offerings may consider acquiring smaller cloud service providers or startups specializing in niche cloud technologies. This trend is likely to continue as businesses seek to improve their digital transformation strategies.

Cybersecurity

- **Trend Explanation:** Cybersecurity is increasingly critical as businesses face growing threats from cyberattacks. The global cybersecurity market is projected 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 threat intelligence, leveraging AI to enhance its cybersecurity solutions. The company is well-positioned

6. Recommended Readings

Deal Name: Verb Technology Acquisition of TON

- **Reading Material:** "Blockchain Basics: A Non-Technical Introduction in 25 Steps" by Daniel Drescher
- **Why This Matters:** This book provides a foundational understanding of blockchain technology, which is critical for analyzing Verb Technology's \$713 million acquisition of TON. It explains how blockchain can enhance transaction security and efficiency, helping to contextualize the strategic benefits Verb aims to achieve by integrating TON's capabilities into its e-commerce solutions.

7. MACROECONOMIC UPDATE

Key Data Points:

- U.S. corporate bond spreads: 0.75% above government bonds
- Lowest spread levels since 1998 in the U.S.
- Lowest spread levels since 2007 in Europe

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- Historical context: U.S. spreads lower in the mid-1990s, Europe in the mid-2000s

Main Insights:

- Credit spreads are at historically low levels, indicating tight market conditions.
- Current spreads reflect strong investor demand and favorable borrowing conditions for corporates.
- A potential economic slowdown could necessitate wider credit spreads.
- Corporate fiscal health is currently better than government fiscal health, supporting tighter spreads.

Market Commentary:

- "Only making an extra three-quarters of a percent to invest in corporate bonds feels like a pretty miserly amount" - Andrew Sheets, Morgan Stanley
- "If the odds of a recession were to go up, credit... would have to take notice" - Andrew Sheets, Morgan Stanley

TMT Sector Relevance:

- Low credit spreads may encourage TMT companies to pursue acquisitions or investments due to cheaper borrowing costs.
- A potential economic slowdown could increase borrowing costs and impact M&A activity in the TMT sector.
- The current favorable fiscal environment for corporates could lead to increased competition for TMT assets as companies seek growth opportunities.

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