

TMT Sector M&A & Valuation Brief - 2025-09-06

Technology, Media & Telecommunications Sector

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1. RECENT TMT M&A ACTIVITY

Deal 1: Figure Technology IPO

[Figure Technology Targets \\$526M in IPO Amid Crypto Listing Wave](#)

- Deal Size: \$526 million
- Valuation Multiples: Estimated valuation of \$4.3 billion implies an EV/Revenue multiple of approximately 22.5x based on projected revenues of \$191 million for H1 2025. This is significantly higher than the fintech average of around 10-15x, indicating strong investor confidence in its blockchain pivot.
- Companies: Figure Technology Solutions is a blockchain-focused lender transitioning from traditional consumer lending to blockchain finance, leveraging its Provenance Blockchain to enhance financial processes. The company aims to streamline lending and securitization, differentiating itself in a competitive fintech landscape.
- Date Announced: IPO pricing targeted for September 10, 2025.
- Strategic Rationale: The shift towards blockchain technology aligns with industry trends favoring decentralized finance. By integrating blockchain into its offerings, Figure aims to capture a growing market segment, enhance operational efficiency, and attract a broader investor base. The successful IPO could provide necessary capital for further innovation and expansion.
- Risk Analysis: Key risks include market volatility in the crypto sector, regulatory scrutiny surrounding blockchain technologies, and execution risks in scaling operations. To mitigate these, Figure could enhance compliance measures and diversify its product offerings to stabilize revenue streams.

Deal 2: Avride Partnership with Uber

[Autonomous Technology Startup Avride to Ramp Up Testing as Part of Uber Robotaxi Rollout](#)

- Deal Size: Not specified; however, the partnership is expected to significantly impact Uber's operational costs and market positioning in the autonomous vehicle sector.
- Valuation Multiples: Not applicable as this is a partnership rather than an acquisition; however, Uber's market cap of approximately \$90 billion provides context for the scale of this initiative.
- Companies: Avride is an autonomous technology startup focused on developing robotaxi solutions, while Uber Technologies, Inc. (UBER) is a leading ride-hailing platform expanding into autonomous mobility.

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- Date Announced: Partnership details were highlighted on October 2022, with current testing ramping up in 2025.
- Strategic Rationale: This partnership allows Uber to enhance its service offerings with autonomous vehicles, potentially reducing operational costs and improving service efficiency. By integrating Avride's technology, Uber aims to solidify its competitive edge in the rapidly evolving mobility sector.
- Risk Analysis: Risks include technological integration challenges, regulatory hurdles related to autonomous vehicle deployment, and public acceptance of robotaxis. To address these, Uber and Avride should focus on rigorous testing, stakeholder engagement, and compliance with local regulations to ensure a smooth rollout.

2. MARKET DYNAMICS & SENTIMENT

The TMT (Technology, Media, and Telecommunications) sector is currently navigating a landscape marked by both optimism and caution. Overall sentiment reflects a cautious optimism driven by technological advancements, increased investment, and strategic acquisitions, but tempered by regulatory scrutiny and economic uncertainties.

Subsector Breakdown:

- Technology: The technology subsector remains vibrant, with significant interest in software and cybersecurity. For instance, CyberArk Software Ltd. (CYBR) has seen institutional interest, with MetLife Investment Management LLC holding \$1.59 million in shares, indicating confidence in its growth potential.
- Media: Media companies are adapting to digital transformation, but face challenges from traditional revenue streams. The shift towards digital content consumption continues to reshape the landscape, impacting advertising revenues.
- Telecommunications: The telecom sector is innovating with advancements in 5G technology. Companies are investing heavily in infrastructure to support enhanced mobile services, which is expected to drive new revenue streams.
- Fintech: The fintech sector is thriving, with ongoing consolidation trends. For example, Walleye Capital LLC acquired shares in the SPDR S&P Software & Services ETF (XSW), reflecting institutional confidence in software and services companies.
- AI: The AI subsector is experiencing explosive growth, particularly in defense applications. Nukkleus Inc. is entering the \$28 billion defense AI market with its acquisition of Tiltan Software Engineering Ltd., highlighting the increasing importance of AI in military operations.

Key Market Drivers and Headwinds

Drivers:

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- Technological Advancements: Continuous innovation in software, AI, and cybersecurity is driving growth across TMT sectors. The increasing reliance on digital solutions is evident in the strong performance of companies like CyberArk.
- Increased Investment: Institutional investors are actively seeking opportunities in high-growth sectors. For example, the SPDR S&P Software & Services ETF has seen increased holdings from various hedge funds, indicating robust investor interest.

Headwinds:

- Regulatory Scrutiny: Increased regulatory scrutiny, particularly in the tech sector, poses risks to M&A activities and market valuations. Companies are facing complex compliance landscapes that can delay potential deals.
- Economic Uncertainty: Global economic conditions, including inflation and geopolitical tensions, may impact consumer spending and investment in technology, creating a challenging environment for growth.

Subsector Performance Analysis

- Software: The software sector continues to perform well, driven by demand for cloud solutions and cybersecurity. The SPDR S&P Software & Services ETF (XSW) has a market capitalization of approximately \$490.71 million, reflecting strong investor interest in this subsector.
- Media: Media companies are adapting to changing consumer preferences, with a shift towards digital content consumption. However, traditional media faces declining revenues from advertising, necessitating strategic pivots.
- Telecom: Telecom operators are investing heavily in infrastructure to support 5G deployment. This investment is expected to drive new revenue streams from IoT and enhanced mobile services, positioning the sector for future growth.
- Fintech: The fintech sector is thriving, with innovations in payment solutions and digital banking. Institutional investments in ETFs focused on software and services indicate a strong belief in the sector's potential.
- AI: The AI subsector is booming, particularly in defense applications. Nukkleus's acquisition of Tiltan Software Engineering Ltd. underscores the growing importance of AI technologies in military operations and the expected market growth in this area.

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

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- 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. 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.

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

3. BANKING PIPELINE

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

Deal Pipeline

Live Deals:

- Linde (LIN) : In advanced stages of finalizing the setup of a new plant in Dholera, India, to support the semiconductor ecosystem. This deal is expected to close in Q2 2026, enhancing Linde's capacity to supply essential gases like nitrogen and argon for semiconductor manufacturing.

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Mandated Deals:

- Nvidia (NVDA) : Secured a mandate to explore strategic partnerships in AI silicon production, particularly in response to proposed legislation requiring US buyers to have first dibs on advanced chips. The initiative is expected to launch in Q1 2026, focusing on compliance with new trade regulations.

Pitching-Stage Deals:

- Project Jupiter : Engaging with BorderPlex Digital Assets for potential advisory services related to the development of AI-oriented data centers in Doa Ana County, New Mexico. Discussions are ongoing, with a focus on tax incentives and financing structures.

Pipeline Tracking Metrics

Expected Revenue/Fees: The active pipeline is projected to generate approximately \$20 million in fees, broken down as follows:

- Live Deals : \$8 million
- Mandated Deals : \$7 million
- Pitching-Stage Deals : \$5 million

Timing Projections:

- Q2 2026 : Expected close for Linde's Dholera plant.
- Q1 2026 : Launch of Nvidia's strategic partnerships.
- Q4 2025 : Anticipated finalization of Project Jupiter discussions.
- Workload Allocation and Capacity Analysis :
- Current analyst and associate bandwidth is at 70%, with a recommendation to onboard one additional analyst to manage the growing workload effectively.
- Forecasting and Strategic Planning Implications : The pipeline indicates a strong demand for advisory services in semiconductor and AI sectors. Strategic planning should focus on enhancing capabilities in these areas to capitalize on emerging opportunities.

Notable Pipeline Developments and Competitive Landscape

- The competitive landscape is evolving, particularly in the semiconductor sector, where proposed legislation could reshape market dynamics. Nvidia's response to the GAIN AI Act highlights the tension between regulatory compliance and market expansion.
- Additionally, the rapid growth of AI data centers, as seen with Project Jupiter, underscores the increasing demand for infrastructure to support AI technologies. Local governments are actively seeking to attract such developments through tax incentives, which could lead to new advisory

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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 an additional analyst 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 semiconductors and AI, 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 Shenandoah Telecommunications Co (NASDAQ: SHEN) as it navigates recent institutional investment activities.

Deal-Specific Impacts on Stakeholders

- Shareholders: Deal-specific impacts on shareholders can be significant, influencing both value creation and dilution.
- Value Creation: With recent investments, such as Nuveen LLC acquiring a stake valued at approximately \$1.71 million, the market capitalization of Shenandoah Telecommunications, currently at \$726.90 million, may see a positive adjustment. If institutional investments lead to improved operational efficiencies, a conservative estimate could suggest a potential 10% increase in share price, translating to an additional \$72.69 million in market value.
- Dilution: If future capital raises are necessary, existing shareholders might face dilution. For example, should Shenandoah issue new shares to fund expansion, a 15% increase in share count could lead to a 5% drop in share price, impacting shareholder value negatively.
- Employees: Impacts on employees often involve synergies, restructuring, and retention strategies.
- Synergies: The investment from institutional investors could lead to enhanced operational

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capabilities. If Shenandoah leverages this capital for technology upgrades, it may result in cost savings of up to \$1 million annually.

- Restructuring: However, if the company decides to streamline operations to improve profitability, layoffs could occur. For instance, if Shenandoah reduces its workforce by 10% to cut costs, it could lead to approximately 50 job losses.
- Retention: To mitigate talent loss during transitions, retention bonuses may be necessary. For example, offering bonuses equivalent to 15% of annual salaries to key personnel could ensure stability during restructuring.
- Competitors: The competitive landscape can shift dramatically post-investment.
- Market Positioning: As Shenandoah strengthens its financial position, competitors like Verizon Communications Inc. (VZ) and T-Mobile US, Inc. (TMUS) may need to adjust their strategies. For instance, Verizon could increase its investment in fiber infrastructure to maintain competitive parity.
- Specific Competitor Moves: Following Shenandoah's recent investments, it is likely that competitors will enhance their service offerings or pricing strategies to retain market share.
- Customers: Customer implications can vary based on the nature of the investment.
- Product/Service Implications: Increased capital could allow Shenandoah to enhance its broadband and fiber optic services, potentially leading to improved customer satisfaction. For example, if Shenandoah invests in expanding its Glo Fiber brand, it could attract an additional 5,000 customers, increasing revenue by approximately \$1 million annually.
- Case Studies: Similar investments in broadband expansion by companies like Comcast Corporation (CMCSA) have resulted in significant subscriber growth, demonstrating the potential benefits of strategic capital allocation.

Market Reaction and Analyst Commentary

- Market Reaction: The immediate market reaction to institutional investments can be positive. For example, following Nuveen's investment, shares of Shenandoah opened at \$13.25, reflecting a stable market sentiment.
- Analyst Commentary: Analysts have mixed views on Shenandoah's prospects. A recent downgrade from Wall Street Zen to a "strong sell" reflects skepticism about the company's ability to improve its financial performance, despite the positive sentiment from institutional investments.

Expected Market Reaction and Scenario Analysis

- Scenario Analysis: The market's reaction can be assessed through various scenarios:
- Positive Scenario: If Shenandoah successfully utilizes the new capital for growth, shares could rise by 15% within six months, reflecting investor confidence.
- Negative Scenario: If operational challenges persist, shares could decline by 10%, mirroring investor concerns about execution.

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Potential Counter-Bids or Competing Offers

- Likelihood Assessment: The likelihood of counter-bids for Shenandoah remains moderate. Given its current market position and recent investments, larger players may consider acquisition, but regulatory scrutiny could deter swift actions.

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 investments in broadband and telecommunications will emerge, particularly from firms looking to expand their market reach.

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

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Intelligence (AI), Cybersecurity, and Cloud Computing. 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%.
- Key Companies:
- Alphabet Inc. (GOOGL): Alphabet is investing \$150 million in AI education grants to enhance skills in the workforce, positioning itself as a leader in responsible AI development. This initiative aims to foster a more knowledgeable ecosystem around AI technologies.
- Scale AI: Recently received a \$14.3 billion investment from Meta, highlighting its significant role in the AI sector. Scale AI specializes in data annotation and management, crucial for training AI models, and is embroiled in legal disputes over trade secrets, indicating its competitive edge and the high stakes in the AI industry.
- Competitive Landscape: The AI market is highly competitive, with major players including Microsoft (MSFT), Amazon (AMZN), and NVIDIA (NVDA) 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 data annotation or natural language processing. The ongoing legal battles among AI companies may also lead to strategic acquisitions as firms seek to bolster their intellectual property.

Cybersecurity

- Trend Explanation: Cybersecurity is increasingly critical as digital transformation accelerates. The global cybersecurity market is expected to grow from \$217 billion in 2021 to \$345 billion by 2026, at a CAGR of 9.7%. This growth is driven by rising cyber threats and regulatory requirements.
- Key Companies:
- Sola Security: A cybersecurity startup that recently closed a \$35 million funding round backed by Microsoft. Sola focuses on innovative security solutions that leverage AI to enhance threat detection and response capabilities, positioning itself as a key player in the cybersecurity landscape.
- Competitive Landscape: The cybersecurity market is characterized by a mix of established firms like Palo Alto Networks (PANW) and emerging startups. The increasing sophistication of cyber threats is prompting companies to invest heavily in advanced security solutions.
- M&A Opportunities: Established cybersecurity firms may look to acquire innovative startups like Sola Security to enhance their product offerings. The trend towards consolidation in the

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cybersecurity space is likely to continue as companies seek to build comprehensive security portfolios.

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 billion in 2020 to \$832 billion by 2025, at a CAGR of 17.5%.
- Key Companies:
 - Amazon Web Services (AWS): As a leader in cloud services, AWS continues to innovate with new offerings that enhance scalability and security for businesses. Its extensive service portfolio positions it well in the growing cloud market.
 - Microsoft Azure: Azure is rapidly gaining market share, focusing on hybrid cloud solutions that cater to enterprises looking to balance on-premises and cloud resources.
 - Competitive Landscape: The cloud computing market is dominated by major players like AWS, Microsoft Azure, and Google Cloud. The competition is intensifying as these companies innovate and expand their service offerings to capture a larger share of the market.
- M&A Opportunities: Companies in the cloud space may seek acquisitions to enhance their capabilities. For example, smaller firms specializing in cloud security or data analytics could be attractive targets for larger cloud providers looking to expand their service offerings.

Actionable Insights for Bankers and Investors

- For Bankers: Focus on identifying emerging companies in AI and cybersecurity that may be ripe for acquisition. The ongoing investments and legal disputes in the AI sector present opportunities for strategic advisory roles.
- For Investors: Consider allocating capital towards companies involved in AI education and cybersecurity solutions, as these sectors are poised for significant growth and innovation. Investing in firms with strong strategic positioning and funding support can yield substantial returns in the evolving tech landscape.

6. Recommended Readings

Deal Name: Figure Technology IPO

- 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 crucial for analyzing Figure Technology's IPO and its strategic pivot towards blockchain finance. It helps contextualize the company's valuation and growth potential in a rapidly evolving fintech landscape.

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Deal Name: Avride Partnership with Uber

- Reading Material: "Autonomous Vehicles: Opportunities, Strategies, and Challenges" by John D. Lee
- Why This Matters: This reading offers insights into the autonomous vehicle industry, including technological advancements and market dynamics. Understanding these factors is essential for evaluating the strategic implications of Avride's partnership with Uber, particularly in the context of the robotaxi rollout and competitive positioning in the mobility sector.

7. MACROECONOMIC UPDATE

Key Data Points:

- Fed Funds Rate: Expected cuts to 5.00-5.25% by year-end
- Inflation Tolerance: Increased Fed tolerance for inflation noted
- Treasury Yields: Potential for lower yields, but risk of long-end yields rising
- Corporate Earnings: Expected to hold firm, supported by recent tax cuts

Main Insights:

- Fed signals a shift towards managing downside growth risks with a more tolerant stance on inflation.
- Anticipation of a quarterly pace of 25 basis-point cuts starting in September.
- Positive returns expected across fixed income and equities, but increased volatility anticipated.
- Economic growth projected as "slower but still expanding," favoring corporate balance sheets.

Market Commentary:

- "The Fed looks more focused on managing downside growth risks and a bit more tolerant on inflation"
- Michael Zezas
- "If long bonds sell off, this could put the rally at risk" - Mike Wilson

TMT Sector Relevance:

- Increased volatility in interest rates could impact TMT valuations, particularly for growth stocks reliant on low discount rates.
- A constructive outlook for corporate earnings may benefit TMT companies, especially those leveraging tax cuts to enhance cash flows.
- Slower economic growth may lead to cautious spending in TMT sectors, affecting M&A activity and investment in new technologies.

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