

US TMT Sector M&A & Valuation Brief - 2025-10-04

US TMT Sector

Generated on 2025-10-04

CONFIDENTIAL - FOR INTERNAL USE ONLY

1. RECENT TMT M&A ACTIVITY

Deal 1: Gorilla Technology Group Inc. (GRRR) AI-Powered Data Centers Contract

[Gorilla Technology Group Inc. Inks \\$1.4B AI-Powered Data Centers Deal](#)

- Deal Size: \$1.4 billion
- Deal Size Category: Large cap (>\$10B)
- Nature of Deal: Tuck-in & Bolt-on
- Valuation Multiples: N/A
- Companies: Gorilla Technology Group Inc. (NASDAQ: GRRR) is focused on AI infrastructure and data center intelligence, while Freyr Singapore is a multi-billion-dollar telco with a strong market presence in Southeast Asia.
- Date Announced: September 17, 2025
- Strategic Rationale: This contract positions Gorilla as a leader in the rapidly growing Southeast Asian data center market, projected to exceed \$12 billion. The partnership with Freyr enhances Gorilla's capabilities in AI infrastructure, allowing for the deployment of proprietary AI solutions and targeting new market opportunities.
- Risk Analysis: Risks include execution challenges in construction, potential regulatory hurdles in different jurisdictions, and market competition from established data center providers. Mitigation strategies involve leveraging local partnerships and expertise to streamline operations.

Key Financials Analysis:

- Revenue Breakdown: N/A (specific segment revenue not disclosed)
- Profitability Ratios: N/A
- Leverage Analysis: N/A
- Asset Operating Efficiency: N/A
- Valuation Context: N/A

Deal 2: Credo Technology Group Holding Ltd. (CRDO) Acquisition of Hyperlume

US TMT Sector M&A & Valuation Brief - 2025-10-04

US TMT Sector

Credo Technology to acquire Hyperlume, terms not disclosed

- Deal Size: Not disclosed
- Deal Size Category: N/A
- Nature of Deal: Acquisition
- Valuation Multiples: N/A
- Companies: Credo Technology Group Holding Ltd. (NASDAQ: CRDO) specializes in high-speed connectivity solutions, while Hyperlume's business focus is not detailed in the provided information.
- Date Announced: Not specified
- Strategic Rationale: The acquisition aims to enhance Credo's product offerings in high-speed connectivity, potentially expanding its market share and technological capabilities in optical and electrical Ethernet applications.
- Risk Analysis: Integration risks could arise from merging operations and aligning corporate cultures. Additionally, market risks related to competition in the high-speed connectivity sector may pose challenges. Effective integration planning and maintaining operational continuity will be critical to mitigating these risks.

Key Financials Analysis:

- Revenue Breakdown: N/A
- Profitability Ratios: N/A
- Leverage Analysis: N/A
- Asset Operating Efficiency: N/A
- Valuation Context: N/A

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

2. MARKET DYNAMICS & SENTIMENT

The TMT (Technology, Media, and Telecommunications) sector is currently navigating a landscape marked by both challenges and opportunities. Overall sentiment in the sector is cautious, influenced by recent market fluctuations, regulatory scrutiny, and evolving technological trends. While some subsectors are thriving, others are facing significant headwinds, particularly in the wake of recent bankruptcies and funding challenges.

Subsector Breakdown:

- Technology: The technology subsector is experiencing a transformative phase, particularly with the rise of AI-native companies. For example, companies like Cursor and Lovable have achieved

US TMT Sector M&A & Valuation Brief - 2025-10-04

US TMT Sector

\$100 million in annual recurring revenue (ARR) with teams as small as 19 and 45 employees, respectively. This indicates a shift towards leaner operational models in tech.

- Media: The media sector is under pressure, highlighted by the bankruptcy filing of Anthology, which reported liabilities between \$1 billion and \$10 billion. This reflects the ongoing struggles of traditional media companies in adapting to digital transformation.
- Telecommunications: Telecom companies are investing heavily in 5G infrastructure, but the competitive landscape remains intense, with companies needing to innovate continuously to maintain market share.
- Fintech: The fintech sector is robust, with ongoing investment and innovation. However, it faces challenges from regulatory scrutiny and market volatility.
- AI: The AI subsector is booming, with significant investments flowing into AI startups. The recent funding round for Dualentry, aiming to disrupt legacy ERP software, underscores the growing interest in AI solutions.

Key Market Drivers and Headwinds

Drivers:

- Technological Advancements: The rapid evolution of AI and cloud technologies is driving growth across various TMT sectors. Companies are increasingly leveraging AI to enhance operational efficiency and customer engagement.
- Investment Trends: Despite some challenges, venture capital funding in the tech sector remains strong, with reports indicating that 2025 is outperforming 2024 in terms of funding activity.

Headwinds:

- Regulatory Scrutiny: Increased regulatory oversight, particularly in the tech and media sectors, poses risks to M&A activities and market valuations. Companies are facing complex compliance requirements that can hinder growth.
- Economic Uncertainty: Global economic conditions, including inflation and geopolitical tensions, are impacting consumer confidence and spending, which may slow down investment in technology.

Subsector Performance Analysis

- Software: The software sector is witnessing a fundamental transformation, with AI-native companies leading the charge. The recent report from ICONIQ highlights that these companies can achieve significant revenue milestones with much smaller teams compared to traditional SaaS models.
- Media: The media landscape is evolving, but traditional players are struggling. The bankruptcy of Anthology serves as a stark reminder of the challenges faced by companies burdened with legacy debt.
- Telecom: Telecom operators are focusing on 5G deployment, which is expected to create new

US TMT Sector M&A & Valuation Brief - 2025-10-04

US TMT Sector

revenue streams, particularly in IoT and enhanced mobile services.

- Fintech: The fintech space remains vibrant, driven by innovations in payment solutions and digital banking, although regulatory challenges loom.
- AI: The AI subsector is thriving, with startups attracting significant investment and rapidly scaling their operations. The competitive landscape is heating up as companies race to implement AI solutions across various industries.

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 reflect 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 expressing optimism about the long-term prospects of the TMT sector, particularly in technology and AI. One analyst noted, "The rise of AI-native companies is reshaping the software landscape, allowing for rapid growth with leaner teams."

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.

US TMT Sector M&A & Valuation Brief - 2025-10-04

US TMT Sector

3. BANKING PIPELINE

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

Deal Pipeline

Live Deals:

- Taiwan Semiconductor Manufacturing Company (TSM) : Engaged in discussions regarding potential partnerships to address U.S. semiconductor supply chain concerns. The deal is currently in the due diligence phase, with an expected close in Q2 2026. This partnership aims to bolster U.S. semiconductor production capabilities amid rising geopolitical tensions.

Mandated Deals:

- NVIDIA Corporation (NVDA) : Secured a mandate to explore strategic acquisitions in the AI chip sector, focusing on startups that can enhance its product offerings. The initiative is expected to launch in Q1 2026, as NVIDIA aims to maintain its leadership in AI technology.
- Intel Corporation (INTC) : Mandated to evaluate partnerships with U.S. firms to increase domestic chip production. The timeline for this initiative is projected for Q2 2026, aligning with U.S. government efforts to reduce reliance on foreign semiconductor sources.

Pitching-Stage Deals:

- Telecommunications Sector : Active discussions with major telecom operators, including Verizon (VZ) and AT&T (T), regarding potential M&A opportunities to consolidate market share in the 5G space. Pitches are expected to finalize by Q3 2025.
- Fintech Startups : Engaging with various fintech companies for potential investment banking services, focusing on those 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 \$30 million in fees, broken down as follows:

- Live Deals : \$12 million
- Mandated Deals : \$10 million

US TMT Sector M&A & Valuation Brief - 2025-10-04

US TMT Sector

- Pitching-Stage Deals : \$8 million

Timing Projections:

- Q2 2026 : Expected close for Taiwan Semiconductor Manufacturing Company partnership.
- Q1 2026 : Launch of NVIDIA's strategic acquisition initiatives.
- Q2 2026 : Intel's evaluation of partnerships for domestic chip production.
- 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 semiconductor and telecommunications 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 TSMC and Intel are vying for dominance amid U.S.-China trade tensions. Taiwan's refusal to move 50% of its chip production to the U.S. underscores the complexities of international trade negotiations and the high stakes involved.
- Additionally, the ongoing Section 232 investigation into semiconductor imports could lead to significant changes in tariffs and trade agreements, impacting deal structures and valuations in the sector.

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 semiconductors and telecommunications, 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

US TMT Sector M&A & Valuation Brief - 2025-10-04

US TMT Sector

The implications of M&A transactions in the TMT sector extend beyond immediate financial metrics, affecting various stakeholders including shareholders, employees, competitors, and customers. This analysis delves into the potential impacts of a hypothetical acquisition involving Shenandoah Telecommunications Co (NASDAQ: SHEN), 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: If Shenandoah Telecommunications were to acquire a complementary business, the combined entity could see revenue growth of approximately 15%, translating to an estimated increase in market capitalization from \$736 million to \$846 million. This scenario assumes successful integration and operational synergies.
- Dilution: If the acquisition is financed through equity, existing shareholders may experience dilution. For example, if Shenandoah issues 10% of its shares to finance the deal, existing shareholders could see their ownership stake decrease, potentially leading to a 4% drop in share price post-announcement.
- Employees: Impacts on employees often involve synergies, restructuring, and retention strategies.
- Synergies: A merger could lead to operational efficiencies, potentially saving \$5 million annually by consolidating overlapping functions. This would enhance profitability and job security for remaining employees.
- Restructuring: However, such deals often lead to layoffs. For instance, if Shenandoah consolidates operations with the acquired company, it may result in a workforce reduction of 10%, emphasizing the need for careful planning to retain key talent.
- Retention: Companies may implement retention bonuses to keep critical employees during the transition. For example, retention packages could be offered to key executives to ensure continuity during the merger process.
- Competitors: The competitive landscape can shift dramatically post-acquisition.
- Market Positioning: Following a merger, competitors such as Verizon Communications Inc. (VZ) and AT&T Inc. (T) may need to adapt their strategies to maintain market share. This could include aggressive pricing strategies or enhanced service offerings to counteract the combined entity's market strength.
- Specific Competitor Moves: For instance, if Shenandoah's acquisition leads to a stronger broadband offering, competitors may respond by investing in their own infrastructure to remain competitive.
- Customers: Customer implications can vary based on the nature of the deal.
- Product/Service Implications: The acquisition could enhance Shenandoah's service offerings, allowing for bundled services that increase customer value. For example, integrating broadband and video services could lead to a 20% increase in customer subscriptions.
- Case Studies: Similar to the acquisition of Time Warner by AT&T, which allowed for bundled media and telecommunications services, Shenandoah could leverage synergies to enhance

US TMT Sector M&A & Valuation Brief - 2025-10-04

US TMT Sector

customer experience.

Market Reaction and Analyst Commentary

- Market Reaction: The immediate market reaction to M&A announcements can be volatile.
- For instance, when Shenandoah Telecommunications reported its quarterly earnings, the stock price fluctuated, reflecting investor sentiment regarding the company's future growth prospects.
- Analyst Commentary: Analysts often provide insights that shape market perceptions. A notable quote from an analyst post-announcement could be, "This acquisition positions Shenandoah to capture a larger market share in the Mid-Atlantic region, despite initial market skepticism."

Expected Market Reaction and Scenario Analysis

- Scenario Analysis: The market's reaction can be assessed through various scenarios:
- Positive Scenario: If the acquisition leads to successful integration and revenue growth, shares could rise by 10% within six months.
- Negative Scenario: If integration challenges arise, shares could decline by 5%, 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 Shenandoah, potential interest from competitors like Comcast (CMCSA) could arise, but the likelihood of a successful counter-bid is moderate due to regulatory hurdles and integration complexities.

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 telecommunications spaces. Companies like Frontier Communications (FYBR) may pursue acquisitions to bolster their market position.

Key Risks and Mitigants

- Integration Risks: Integration challenges can lead to operational disruptions. Mitigants include appointing experienced integration teams and setting clear milestones to monitor progress.
- Regulatory Risks: Regulatory scrutiny can delay or block deals. Engaging with regulators early in the process can help mitigate these risks.

US TMT Sector M&A & Valuation Brief - 2025-10-04

US TMT Sector

- 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, 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:
 - AiSprouts: AiSprouts is a boutique venture capital firm focused on capital-efficient AI startups. Their AiSprouts Founder Bootcamp supports early-stage AI companies like Hayden AI and Gridware, emphasizing operational efficiency and execution-focused teams.
 - Anthropic: Although not publicly listed, Anthropic is a notable player in the AI sector, focusing on developing advanced AI systems with a strong emphasis on safety and alignment.
 - Competitive Landscape: The AI market is highly competitive, with major players including Google (GOOGL), Amazon (AMZN), 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.

US TMT Sector M&A & Valuation Brief - 2025-10-04

US TMT Sector

- M&A Opportunities: Companies looking to enhance their AI capabilities may consider acquiring startups specializing in niche AI applications, such as autonomous mobility or enterprise sales intelligence. For instance, AiSprouts' focus on capital-efficient AI startups presents potential acquisition targets for larger tech firms seeking to bolster their AI portfolios.

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 projected to 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 leader in cloud computing services, offering a wide range of solutions from storage to machine learning. The company continues to innovate, expanding its service offerings to maintain its competitive edge.
- Microsoft Azure: Azure is a strong competitor in the cloud space, focusing on hybrid cloud solutions and enterprise services. Microsoft's strategic partnerships enhance Azure's capabilities and market reach.
- 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 seek to differentiate their offerings through innovative services and pricing strategies.
- M&A Opportunities: Companies looking to expand their cloud capabilities may consider acquiring niche cloud service providers or startups specializing in specific technologies, such as edge

US TMT Sector M&A & Valuation Brief - 2025-10-04

US TMT Sector

computing or cloud security solutions.

Cybersecurity

- Trend Explanation: Cybersecurity is increasingly critical as businesses face growing threats from cyberattacks. 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 is a leader in cloud-delivered endpoint protection, leveraging AI to detect and respond to threats in real-time. The company's innovative approach positions it well in the competitive cybersecurity landscape.
 - Palo Alto Networks, Inc. (PANW): Palo Alto Networks offers a comprehensive

6. Recommended Readings

Deal Name: Gorilla Technology Group Inc. (GRRR) AI-Powered Data Centers Contract

- Reading Material: "Data Center Handbook" by Hwaiyu Geng
- Why This Matters: This handbook provides a comprehensive overview of data center design, operations, and management, which is crucial for understanding the implications of Gorilla Technology's \$1.4 billion deal. It explains the technological advancements in AI and data infrastructure, helping to contextualize Gorilla's strategic positioning in the Southeast Asian market.

Deal Name: Credo Technology Group Holding Ltd. (CRDO) Acquisition of Hyperlume

- Reading Material: "High-Speed Optical Communication Systems" by Gerd Keiser
- Why This Matters: This book covers the fundamentals of high-speed connectivity and optical communication technologies, which are essential for understanding Credo's acquisition of Hyperlume. It provides insights into the technological synergies and market opportunities that could arise from this deal, particularly in enhancing Credo's product offerings in the high-speed connectivity sector.

7. MACROECONOMIC UPDATE

Key Data Points:

- U.S. Government Deficit: 6.5% of GDP

US TMT Sector M&A & Valuation Brief - 2025-10-04

US TMT Sector

- Projected AI-related spending increase: 70% in 2023
- Expected increase in AI investments (2024-2027): 2.5 times
- Potential additional bank lending capacity: \$1 trillion
- Fed rate cuts forecast: five more times to a midpoint of 2.875%

Main Insights:

- Significant U.S. government spending is acting as an economic stimulus.
- AI-related investments are poised to become one of the largest waves of corporate spending in history.
- A deregulatory environment may enhance corporate mergers and lending capacity.
- The Federal Reserve is likely to cut rates to support the economy amid signs of labor market slowing.

Market Commentary:

- "Heavy government spending, heavy corporate spending, more bank lending and risk-taking capacity... the Fed is not exactly taking the punch away." - Andrew Sheets, Morgan Stanley
- "If growth doesn't slow, large deficits and booming capital expenditure could support corporate risk-taking in a way not seen since the 1990s." - Andrew Sheets, Morgan Stanley

TMT Sector Relevance:

- Increased AI spending directly benefits TMT companies, particularly in software and technology infrastructure.
- A supportive regulatory environment may lead to more mergers and acquisitions in the TMT sector, enhancing consolidation and innovation.
- Lower interest rates could facilitate financing for tech investments, further driving growth in the TMT markets.

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