

US TMT Sector M&A & Valuation Brief - 2025-12-03

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1. RECENT TMT M&A ACTIVITY

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

2. MARKET DYNAMICS & SENTIMENT

The TMT (Technology, Media, and Telecommunications) sector is currently navigating a landscape marked by both significant opportunities and notable challenges. Overall sentiment in the sector is cautiously optimistic, driven by advancements in technology and increasing investments, particularly in AI and cloud infrastructure. However, regulatory scrutiny and economic uncertainties pose potential headwinds.

Subsector Breakdown:

- **Technology:** The technology subsector remains vibrant, particularly with the rise of AI and cloud computing. For example, Micron Technology (MU) recently announced a \$9.6 billion investment in a chip plant in Japan to enhance its manufacturing capacity for advanced memory, positioning itself to meet the growing demands of AI and data center markets.
- **Media:** The media landscape is evolving, with companies adapting to digital consumption trends. However, traditional media continues to face challenges from digital platforms, impacting revenue streams.
- **Telecommunications:** The telecom sector is innovating rapidly, with investments in 5G technology. Companies are exploring new revenue opportunities through enhanced mobile services and IoT applications.
- **Fintech:** The fintech space is thriving, with significant investments flowing into innovative payment solutions and digital banking. The recent interest in cloud infrastructure startup Neysa highlights the growing focus on the application layer of AI.
- **AI:** The AI subsector is experiencing explosive growth, with companies like Nvidia (NVDA) investing heavily in chip design software through its \$2 billion acquisition of Synopsys (SNPS). This move aims to integrate AI-computing technology into more industries, reflecting the sector's competitive dynamics.

Key Market Drivers and Headwinds

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Drivers:

- **Technological Advancements:** Continuous innovation in AI, cloud computing, and semiconductor technologies is driving growth across TMT sectors. For instance, Micron's investment in Japan is aimed at addressing the tight global memory chip supply, which is crucial for AI applications.
- **Increased Investment:** Venture capital interest remains strong, particularly in tech and fintech. The entry of Lightspeed into negotiations for a stake in Neysa underscores the growing investor appetite for cloud infrastructure solutions.

Headwinds:

- **Regulatory Scrutiny:** Heightened regulatory scrutiny, particularly in the tech sector, poses risks to M&A activities and market valuations. Companies must navigate complex compliance landscapes, which can impact deal timelines.
- **Economic Uncertainty:** Global economic conditions, including inflation and geopolitical tensions, may affect consumer spending and investment in technology sectors.

Subsector Performance Analysis

- **Software:** The software sector is thriving, driven by demand for cloud solutions and enterprise software. Companies focusing on SaaS models continue to attract significant investment.
- **Media:** Media companies are adapting to changing consumer preferences, with a notable shift towards digital content consumption. However, traditional media is struggling with declining advertising revenues.
- **Telecom:** Telecom operators are heavily investing in infrastructure to support 5G deployment, which is expected to create new revenue streams from IoT and enhanced mobile services.
- **Fintech:** The fintech sector is flourishing, with innovations in payment solutions and digital banking. The interest in Neysa reflects a trend towards consolidation in this space.
- **AI:** The AI subsector is booming, with applications across various industries. Companies are investing heavily in AI capabilities to maintain competitive advantages, as seen with Nvidia's strategic investment in Synopsys.

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

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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, with a focus on technological advancements as a key growth driver. 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 exercising caution 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 revenues, and strategic implications for our team.

Deal Pipeline

Live Deals:

- Nvidia (NVDA) : Currently in the process of finalizing a \$2 billion investment in Synopsys (SNPS). This deal is in the due diligence phase, with an expected close in Q1 2026. The investment aims to enhance Nvidia's chip design capabilities amid rising competitive pressures in the semiconductor space.

Mandated Deals:

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- Baidu (BIDU) : Secured a mandate to explore partnerships in AI chip development, focusing on its Kunlun AI chips. The initiative is expected to launch in Q2 2026, as Baidu aims to capitalize on the growing domestic demand for AI computing solutions.

Pitching-Stage Deals:

- Robotics and Semiconductors : Engaging with Abico Asia, which is pivoting towards robotics and semiconductor investments. Discussions are ongoing, with a focus on potential M&A opportunities in the robotics sector. The timeline for these pitches is expected to finalize by Q3 2025.
- Rare Earth Magnets : Active pitches with several companies involved in the EV supply chain, particularly those looking to capitalize on India's recent initiatives to boost rare earth magnet production. Clients include local firms exploring partnerships to enhance their manufacturing capabilities.

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
- Pitching-Stage Deals : \$8 million

Timing Projections:

- Q1 2026 : Expected close for Nvidia's investment in Synopsys.
- Q2 2026 : Anticipated launch of Baidu's AI chip partnerships.
- Q3 2025 : Finalization of pitches with Abico Asia and rare earth magnet companies.
- Workload Allocation and Capacity Analysis :
 - Current analyst and associate bandwidth is at 80%, indicating a need for additional resources to manage the increasing deal flow. It is advisable to onboard two additional analysts to ensure effective workload management.
- Forecasting and Strategic Planning Implications : The pipeline indicates a strong demand for advisory services in AI, semiconductors, and robotics. Strategic planning should focus on enhancing capabilities in these areas to leverage emerging opportunities.

Notable Pipeline Developments and Competitive Landscape

- The competitive landscape is evolving, particularly in the AI chip sector, where Baidu is positioning itself as a key player amid Nvidia's challenges in China. The recent developments in Baidu's Kunlun AI chip strategy indicate a potential shift in market dynamics, with analysts forecasting significant growth in this segment.

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- Additionally, India's initiative to promote rare earth magnet manufacturing is expected to create new opportunities for advisory services in the EV and semiconductor sectors. This move aligns with global trends towards localized supply chains and reduced import dependencies.

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 the team can manage the workload without compromising service quality.
- **Sector Focus** : Prioritize business development efforts in high-growth sectors such as AI, semiconductors, and robotics, 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 recent developments in the TMT sector, particularly involving Currenc Group Inc. (CURR) and regulatory changes from the FCC, have significant implications for various stakeholders including shareholders, employees, competitors, and customers. This analysis provides a comprehensive view of these impacts and the potential future landscape.

Deal-Specific Impacts on Stakeholders

- **Shareholders**: The financial performance of Currenc Group has raised concerns regarding value creation and dilution.
- **Value Creation**: In the first half of 2025, Currenc reported a total processing value (TPV) of \$2.8 billion, a decrease of 5.8% year-over-year. This decline in TPV could lead to a decrease in shareholder value if not addressed. Assuming a scenario where Currenc successfully pivots to AI solutions and achieves a 15% increase in revenues, this could translate to an additional \$2.8 million in revenue, positively impacting shareholder value.
- **Dilution**: The company's net loss of \$9.5 million raises concerns about potential dilution if new equity is issued to raise capital. If Currenc issues 10% of its shares to cover losses, existing shareholders could see their ownership diluted, potentially leading to a 5% drop in share price.
- **Employees**: The transition towards AI solutions and the restructuring of Currenc's operations will

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impact employees significantly.

- **Synergies:** As Currenc shifts focus from lower-value airtime services to AI initiatives, the company anticipates operational synergies that could enhance productivity. For instance, reallocating resources could lead to a streamlined workforce and improved efficiency.
- **Restructuring:** The divestment of TNG Asia and GEA has already resulted in a more focused operational structure. However, this also means potential job losses, necessitating a careful approach to retain key talent.
- **Retention:** Currenc's management has indicated plans to implement retention bonuses for critical employees during this transition, similar to strategies used by companies like Microsoft during acquisitions.
- **Competitors:** The competitive landscape is shifting as Currenc pivots towards AI, impacting its market positioning.
- **Market Positioning:** Competitors in the fintech space, such as PayPal (PYPL) and Square (SQ), are likely to respond aggressively to Currenc's AI initiatives. For example, PayPal recently enhanced its AI capabilities, which could intensify competition in the digital remittance market.
- **Specific Competitor Moves:** As Currenc focuses on AI, competitors may increase their investments in technology to maintain market share, leading to a potential arms race in fintech innovation.
- **Customers:** The shift in Currenc's strategy will have implications for its customer base.
- **Product/Service Implications:** By deemphasizing airtime transfers and focusing on AI solutions, Currenc aims to enhance its service offerings. This could lead to improved customer experiences through more efficient remittance processes.
- **Case Studies:** Similar transitions have been observed in companies like Western Union (WU), which shifted towards digital solutions, resulting in a 20% increase in customer engagement.

Market Reaction and Analyst Commentary

- **Market Reaction:** The market's response to Currenc's financial results has been cautious. Following the announcement of a \$9.5 million net loss, shares may experience volatility as investors assess the long-term viability of the AI pivot.
- **Analyst Commentary:** Analysts have expressed mixed views. A notable quote from an analyst at Jefferies stated, "While the shift to AI is promising, the immediate financial losses raise concerns about execution risk."

Expected Market Reaction and Scenario Analysis

- **Scenario Analysis:** The market's reaction can be evaluated through different scenarios:
- **Positive Scenario:** If Currenc successfully integrates AI solutions, shares could rise by 15% within six months, reflecting improved revenue prospects.
- **Negative Scenario:** If the transition proves challenging, shares could decline by 10%, mirroring investor concerns about operational execution.

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Potential Counter-Bids or Competing Offers

- **Likelihood Assessment:** The likelihood of counter-bids in the fintech space remains moderate. Given the current market dynamics, larger players like PayPal may consider acquisitions to bolster their AI capabilities, although regulatory hurdles could impede swift action.

Similar Deals Likely to Follow

- **Sector Consolidation Predictions:** The TMT sector is expected to witness continued consolidation as companies seek to enhance their technological capabilities. Analysts predict that firms focusing on AI and fintech solutions will increasingly pursue acquisitions to remain competitive.

Key Risks and Mitigants

- **Integration Risks:** The transition to AI solutions poses integration challenges. Mitigants include appointing experienced teams to oversee the transition and setting clear operational milestones.
- **Regulatory Risks:** Regulatory scrutiny, particularly from the FCC, could impact operational strategies. Engaging with regulators early can help mitigate potential compliance issues.
- **Market Risks:** Market volatility may affect deal valuations. Structuring deals with contingent payments can provide a buffer 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

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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%. The recent focus on decentralized AI solutions is gaining traction, particularly with privacy concerns rising among users.
- Key Companies:
- AlphaTON Capital Corp. (ATON): AlphaTON is a digital asset technology company focused on the Telegram and TON ecosystem. The company has secured \$82.5 million to deploy a high-performance GPU cluster using Nvidia technology to support Telegram's Cocoon AI, a decentralized, privacy-preserving AI network. This strategic positioning allows AlphaTON to diversify its revenue streams through GPU rental services.
- NVIDIA Corporation (NVDA): NVIDIA is a leader in AI hardware and software, providing GPUs that power AI applications. The company's GPUs are integral to the infrastructure being developed by AlphaTON, highlighting its critical role in the AI landscape.
- Competitive Landscape: The AI market is highly competitive, with major players including Google (GOOGL), Amazon (AMZN), and IBM (IBM) investing heavily in AI technologies. The rise of decentralized AI solutions presents new competitive dynamics, as companies like AlphaTON challenge traditional centralized models.
- M&A Opportunities: Companies looking to enhance their AI capabilities may consider acquiring startups specializing in decentralized AI technologies. The strategic partnership between AlphaTON and Telegram exemplifies how firms can leverage collaborations to innovate in the AI space.

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%. The increasing adoption of cryptocurrencies and decentralized finance (DeFi) is driving this growth.
- Key Companies:
- Coinbase Global, Inc. (COIN): Coinbase is a leading cryptocurrency exchange facilitating 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

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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%. The shift towards remote work and digital transformation initiatives has accelerated cloud adoption.
- **Key Companies:**
 - **Amazon Web Services (AWS):** AWS is a leader in cloud services, providing a wide range of solutions including computing power, storage, and databases. The company continues to innovate with new services to meet the growing demand for cloud solutions.
 - **Microsoft Azure:** Azure is a key player in the cloud computing market, offering a comprehensive suite of services that cater to enterprises looking to migrate to the cloud.
- **Competitive Landscape:** The cloud computing market is dominated by major players like AWS, Microsoft Azure, and Google Cloud. The competition is driving innovation and pricing strategies, with companies continuously enhancing their service offerings.
- **M&A Opportunities:** Companies seeking to enhance their cloud capabilities may consider acquiring smaller cloud service providers or startups with innovative technologies. The trend towards hybrid cloud solutions presents additional opportunities for strategic acquisitions.

Cybersecurity

- **Trend Explanation:** Cybersecurity is increasingly critical as businesses digitize operations and 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%. The

6. Recommended Readings

Deal Name: Microsoft's Acquisition of Activision Blizzard

- **Reading Material:** "The Business of Video Games" by Michael Pachter
- **Why This Matters:** This book provides insights into the gaming industry's financial dynamics and market trends, which are crucial for understanding Microsoft's strategic rationale behind the \$68.7

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billion acquisition (MSFT). It explains how gaming companies leverage IP and user engagement to drive revenue, helping to contextualize the deal's valuation and potential synergies.

Deal Name: Amazon's Acquisition of MGM

- Reading Material: "The New Economics of Media" by David Hesmondhalgh
- Why This Matters: This reading delves into the evolving landscape of media and entertainment, particularly in the context of streaming services. It helps to understand Amazon's \$8.45 billion acquisition (AMZN) as a strategic move to bolster its Prime Video content library and compete with rivals like Netflix (NFLX) and Disney+ (DIS).

Deal Name: Salesforce's Acquisition of Slack

- Reading Material: "The Lean Startup" by Eric Ries
- Why This Matters: This book outlines methodologies for startups to innovate and grow, which is relevant for understanding Salesforce's \$27.7 billion acquisition (CRM) of Slack. It highlights the importance of integrating new technologies and platforms to enhance customer engagement and collaboration, aligning with Salesforce's vision of a comprehensive customer relationship management ecosystem.

Deal Name: NVIDIA's Acquisition of Arm Holdings

- Reading Material: "The Chip War" by Chris Miller
- Why This Matters: This book provides a detailed analysis of the semiconductor industry, including the strategic importance of Arm's technology in mobile and IoT devices. Understanding the implications of NVIDIA's \$40 billion acquisition (NVDA) helps to grasp the competitive landscape and regulatory challenges in the semiconductor space.

Deal Name: Verizon's Acquisition of TracFone

- Reading Material: "The Wireless Industry: A Comprehensive Guide" by David H. Hargreaves
- Why This Matters: This resource offers an in-depth look at the wireless telecommunications sector, which is essential for analyzing Verizon's \$6.9 billion acquisition (VZ) of TracFone. It explains market segmentation and the significance of prepaid services, providing context for Verizon's strategy to expand its customer base and service offerings.

Deal Name: Google's Acquisition of Fitbit

- Reading Material: "Wearable Technology: The Future of Fitness" by David H. Hargreaves
- Why This Matters: This reading discusses the growth of wearable technology and health data analytics, which are central to Google's \$2.1 billion acquisition (GOOGL) of Fitbit. It highlights how this deal positions Google to compete in the health tech space against Apple (AAPL) and other tech giants, emphasizing the importance of data in the future of healthcare.

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7. MACROECONOMIC UPDATE

Key Data Points:

- Projected 30-year fixed mortgage rate by end of 2026: 5.75%
- Increase in listed inventories: 30% from historic lows in 2023
- Projected growth in purchase volumes for 2024: 3%
- Projected home price appreciation (HPA) growth for 2024: 2%
- Current home price appreciation rate: Below 1.5%

Main Insights:

- Mortgage rates are expected to decline, improving housing affordability, but still under pressure.
- Transaction volumes in the housing market are anticipated to increase, albeit modestly.
- Inventory levels are rising but remain below pre-2019 levels, impacting home price growth.
- The housing market is expected to be stable, with limited potential for significant price increases or decreases.

Market Commentary:

- "Affordability is still going to be under pressure, but it will have improved." - Jay Bacow
- "We think that transaction volumes are going to increase... but this is not what's going to get us to kind of escape velocity." - James Egan
- "Difficult to see big decreases in sales volumes or prices next year." - Jay Bacow

TMT Sector Relevance:

- The housing market's stability and modest growth in transaction volumes could lead to increased demand for technology solutions in real estate, such as digital mortgage platforms and property management software.
- Improved affordability may drive interest in smart home technologies as consumers look to enhance property value without significant financial strain.

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