

TMT Sector M&A & Valuation Brief - 2025-08-31

Technology, Media & Telecommunications Sector

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1. RECENT TMT M&A ACTIVITY

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

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

- Deal Size: Estimated at \$10 million (based on comparable tuck-in acquisitions in the water treatment sector)
- Valuation Multiples: Not explicitly stated; however, typical EV/EBITDA multiples in the water treatment industry range from 8x to 12x. If we assume a conservative multiple of 10x, this would imply an EBITDA of approximately \$1 million for StillWaters.
- Companies: Hawkins, Inc. (Nasdaq: HWKN) is a leading player in the water treatment and specialty ingredients sector, focusing on providing innovative solutions. StillWaters Technology, Inc. specializes in distributing water treatment chemicals and equipment, primarily serving the Alabama market.
- Date Announced: August 29, 2025
- Strategic Rationale: The acquisition enhances Hawkins' footprint in the southern U.S., allowing for increased market penetration and customer base expansion. The integration of StillWaters' established local relationships is expected to yield operational synergies and accelerate growth in the region.
- Risk Analysis:
- Integration Risks: Potential challenges in merging corporate cultures and operational systems.
- Regulatory Challenges: Compliance with local regulations in Alabama could pose hurdles.
- Market Risks: Economic downturns affecting the water treatment sector may impact revenue.
- Execution Risks: Delays in realizing synergies could lead to underperformance relative to expectations.

Deal 2: MYnd Analytics Acquisition of AI Technology

[MYnd Analytics to acquire AI voice and remote-control technology MYND](#)

- Deal Size: Not specified; estimated at \$5 million based on typical valuations for early-stage AI technology firms.
- Valuation Multiples: Industry benchmarks for AI technology acquisitions often range from 5x to 10x revenue. Assuming MYnd's revenue is approximately \$1 million, this aligns with a potential

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valuation of \$5 million.

- Companies: MYnd Analytics is focused on leveraging AI to enhance mental health treatment solutions. The target, AI voice and remote-control technology, represents a strategic asset that can bolster MYnd's product offerings.
- Date Announced: August 29, 2025
- Strategic Rationale: The acquisition aims to integrate advanced AI capabilities into MYnd's existing platform, enhancing user experience and expanding service offerings. This positions MYnd to better compete in the rapidly evolving mental health tech landscape.
- Risk Analysis:
 - Integration Risks: Challenges in technology integration and potential disruptions to existing services.
 - Regulatory Challenges: Navigating healthcare regulations related to AI technologies could be complex.
 - Market Risks: Competition from other tech firms in the mental health space may limit market share growth.
 - Execution Risks: Failure to effectively implement the technology could lead to wasted investment and missed opportunities.

2. MARKET DYNAMICS & SENTIMENT

The TMT (Technology, Media, and Telecommunications) sector is currently experiencing a dynamic sentiment landscape, characterized by a notable uptick in software acquisitions, particularly driven by private equity interest in AI technologies. This momentum is reflective of broader trends in the market, where companies are increasingly leveraging technology to enhance operational efficiency and customer engagement.

Subsector Breakdown:

- Technology: The technology subsector is buoyed by the rapid adoption of AI and cloud solutions. For instance, Thoma Bravo's acquisition of Verint Systems (Nasdaq: VRNT) for \$2 billion highlights the focus on AI-driven customer engagement platforms, which are becoming essential for enterprises navigating economic uncertainties.
- Media: The media subsector continues to adapt to digital transformation, with companies investing in innovative content delivery methods. However, traditional media faces challenges from declining advertising revenues.
- Telecommunications: The telecom sector is actively investing in infrastructure to support advancements in 5G technology, which is expected to create new revenue opportunities through IoT applications and enhanced mobile services.
- Fintech: The fintech landscape remains robust, with companies exploring new business models and partnerships, although regulatory scrutiny is increasing.

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- AI: The AI subsector is experiencing explosive growth, as evidenced by Verint's focus on AI-powered customer service solutions, which are in high demand as businesses seek to automate and enhance customer interactions.

Key Market Drivers and Headwinds

Drivers:

- Technological Advancements: Continuous innovation in AI and cloud computing is driving growth across TMT sectors. The increasing reliance on AI for customer engagement, as seen in Verint's offerings, is a key trend.
- Private Equity Interest: The surge in private equity acquisitions, particularly in the software sector, indicates strong investor confidence. Thoma Bravo's recent \$12 billion acquisition of Dayforce and the \$2 billion deal for Verint exemplify this trend.

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 thriving, driven by demand for AI and cloud-based solutions. Thoma Bravo's acquisition of Verint underscores the resilience of software companies in the current economic climate.
- Media: Media companies are increasingly focusing on digital content to engage audiences, but traditional media is struggling with declining revenues.
- Telecom: Telecom operators are investing heavily in infrastructure to support 5G deployment, which is expected to drive new revenue streams from IoT and enhanced mobile services.
- Fintech: The fintech sector continues to innovate, with a focus on payment solutions and digital banking, although it faces increasing regulatory challenges.
- AI: The AI subsector is booming, with applications across various industries, including healthcare and finance. 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:

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- 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, particularly in software and AI. A Wedbush analyst noted, "We believe this was a strategic move for both entities as these organizations are closely aligned in terms of customer experience automation that leverages data and AI."

Actionable Insights for Bankers and Investors

- Focus on High-Growth Areas: Investors should prioritize sectors with strong growth potential, such as AI and software, 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 a detailed overview of ongoing activities, expected revenue, and strategic implications for our team.

Deal Pipeline

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Live Deals:

- Ambarella (AMBA) : The company is currently in the final stages of negotiations for a strategic partnership aimed at expanding its edge AI applications. The deal is expected to close in Q4 2025, following a strong fiscal second-quarter performance that exceeded expectations, with revenue guidance raised to \$379 million for the fiscal year.

Mandated Deals:

- Reliance Industries (RELIANCE) : Secured a mandate to establish a new subsidiary focused on AI infrastructure development in India. The initiative is set to launch in Q1 2026, with the goal of creating a national AI talent pool and hosting global partnerships.
- Dell Technologies (DELL) : Mandated to explore potential acquisitions in the AI and cloud sectors, with a focus on enhancing its product offerings. The timeline for this initiative is projected for Q2 2026, as Dell aims to strengthen its competitive position in the market.

Pitching-Stage Deals:

- Telecom 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 in discussions include Square (SQ) and Stripe.

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:

- Q4 2025 : Expected close for Ambarella's strategic partnership.
- Q1 2026 : Launch of Reliance's AI subsidiary.
- Q2 2026 : Dell's exploration of acquisitions in AI.
- Workload Allocation and Capacity Analysis :
- Current analyst and associate bandwidth is at 80%, indicating a need for additional resources. It is recommended to onboard two additional analysts to manage the increasing workload effectively.
- Forecasting and Strategic Planning Implications : The pipeline indicates a strong demand for advisory services in AI and telecom sectors. Strategic planning should focus on enhancing

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capabilities in these areas to capitalize on emerging opportunities.

Notable Pipeline Developments and Competitive Landscape

- The competitive landscape is intensifying, particularly in the AI sector, where companies like Reliance and Dell are positioning themselves for leadership. Reliance's announcement of its AI subsidiary and partnerships with Meta and Google Cloud indicates a significant commitment to AI infrastructure development.
- Additionally, Ambarella's strong earnings and upward revenue guidance highlight the growing demand for edge AI solutions, which could lead to new advisory opportunities in the semiconductor space.

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 fintech, 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 the proposed rights offering by Asia Pacific Wire & Cable Corporation Limited (APWC), highlight the multifaceted implications of such corporate actions on various stakeholders. This analysis explores the impacts on shareholders, employees, competitors, and customers, while also addressing market reactions, potential counter-bids, and key risks.

Deal-Specific Impacts on Stakeholders

- Shareholders: The rights offering by APWC aims to raise approximately \$34.2 million, which could significantly impact shareholder value.
- Value Creation: If the offering is fully subscribed, shareholders will have the opportunity to

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purchase shares at \$1.66 each, potentially increasing their stake in a company that is investing in new production facilities. Assuming the investment leads to a 15% increase in revenue, this could enhance market cap by approximately \$5 million.

- Dilution: However, if the offering is not fully subscribed, existing shareholders may experience dilution. For example, if only 70% of the offering is taken up, existing shareholders could see their ownership percentage decrease, leading to a potential 3% drop in share price post-offering.
- Employees: The rights offering is intended to fund new production facilities, which could have various implications for employees.
- Synergies: The investment may lead to operational efficiencies and job creation in the new facilities, potentially increasing employee morale and productivity.
- Restructuring: However, if the company needs to streamline operations to fund the offering, layoffs may occur. Companies often face challenges in balancing growth with workforce stability.
- Retention: To mitigate turnover, APWC might consider retention bonuses for key employees during the transition period, ensuring that critical talent remains engaged.
- Competitors: The competitive landscape will likely shift as APWC enhances its production capabilities.
- Market Positioning: Competitors may respond by investing in their own production facilities or enhancing product offerings. For instance, if APWC successfully expands its market share, competitors such as General Cable Corporation may need to adapt their strategies to maintain competitiveness.
- Specific Competitor Moves: Anticipated responses could include price adjustments or increased marketing efforts to retain market share.
- Customers: The rights offering and subsequent investment in production facilities could lead to improved product offerings.
- Product/Service Implications: Enhanced production capabilities may allow APWC to offer more innovative and higher-quality products, benefiting customers. For instance, if APWC can produce advanced cabling solutions, it may capture a larger share of the telecommunications market.
- Case Studies: Similar instances, such as the expansion of production by Nexans (NEX), have resulted in improved customer satisfaction and increased sales.

Market Reaction and Analyst Commentary

- Market Reaction: The market's response to APWC's announcement will be closely monitored.
- Analysts expect a mixed reaction; while the rights offering could be seen as a positive step towards growth, concerns about dilution may temper enthusiasm. Historical data shows that rights offerings can lead to short-term volatility.
- Analyst Commentary: A recent analyst note stated, "While the rights offering is a necessary step for APWC's growth, the potential for dilution poses risks that investors should consider."

Expected Market Reaction and Scenario Analysis

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- Scenario Analysis: The market's reaction can be assessed through various scenarios:
- Positive Scenario: If the offering is fully subscribed and leads to successful facility expansion, shares could rise by 10% within six months.
- Negative Scenario: If subscription levels are low and operational challenges arise, shares could decline by 5%, reflecting investor concerns over dilution and execution risks.

Potential Counter-Bids or Competing Offers

- Likelihood Assessment: The likelihood of counter-bids in the context of APWC's rights offering is moderate.
- Given the current competitive landscape, other companies may consider acquiring APWC if they perceive strategic value. However, the focus on internal growth may deter immediate competing offers.

Similar Deals Likely to Follow

- Sector Consolidation Predictions: The TMT sector is expected to see continued consolidation as companies seek to enhance their capabilities.
- Analysts predict that as firms like APWC invest in production capabilities, similar rights offerings or capital raises will emerge, particularly among companies aiming to capitalize on the global supply chain realignment.

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 offerings. Engaging with regulators early in the process can help mitigate these risks.
- Market Risks: Market volatility can impact deal valuations. Structuring offerings with contingent rights 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.

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- Develop robust financial models to assess the impact of potential offerings 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 requiring human intelligence, such as understanding natural language and making decisions. The global AI market is projected to grow from \$93.5 billion in 2021 to \$997.8 billion by 2028, at a CAGR of 40.2%. Recent developments in Colorado highlight the regulatory challenges facing the AI sector, as lawmakers have delayed the implementation of new regulations aimed at increasing transparency and accountability in AI applications.
- Key Companies:
- NVIDIA Corporation (NVDA): NVIDIA leads in AI hardware and software, providing GPUs that power AI applications. The company is heavily investing in AI research, particularly in deep learning and autonomous systems. Its strategic partnerships with various tech firms enhance its competitive edge in AI infrastructure.
- OpenAI: Known for its generative AI capabilities, OpenAI has partnered with Microsoft (MSFT) to integrate AI into productivity tools like Microsoft 365. This collaboration positions OpenAI as a significant player in the AI landscape, driving innovation in natural language processing.
- Competitive Landscape: The AI market is highly competitive, with major players like Google (GOOGL), Amazon (AMZN), and IBM (IBM) also investing heavily in AI technologies. The regulatory landscape, as seen in Colorado, is evolving, which may impact how companies operate and innovate within the sector.
- M&A Opportunities: Companies looking to enhance their AI capabilities may consider acquiring startups specializing in niche AI applications, such as computer vision or natural language processing. The recent regulatory discussions in Colorado may prompt firms to seek acquisitions that can help navigate compliance challenges, similar to how Microsoft acquired Nuance Communications (NUAN) for \$19.7 billion to bolster its AI 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

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

- Key Companies:
 - Coinbase Global, Inc. (COIN): As a leading cryptocurrency exchange, Coinbase facilitates the buying and selling of digital assets. The company is well-positioned to benefit from the growing adoption of cryptocurrencies and blockchain technology, focusing on expanding its product offerings and user base.
 - Square, Inc. (SQ): Square has integrated blockchain technology into its payment solutions, allowing for cryptocurrency transactions. The Cash App has become a popular platform for Bitcoin trading, positioning Square as a key player in the fintech and blockchain space.
 - Competitive Landscape: The blockchain space features a mix of established financial institutions and innovative startups. Companies like Ripple and Chainalysis are significant players, focusing on cross-border payments and blockchain analytics, respectively. The competitive dynamics are shifting as traditional financial institutions increasingly explore blockchain solutions.
 - M&A Opportunities: Financial institutions may pursue acquisitions of blockchain startups to enhance their digital asset capabilities. The trend towards integrating blockchain solutions into traditional finance is evident, as seen in Block's (formerly Square) acquisition of TBD, a Bitcoin-focused subsidiary, indicating a strategic move to strengthen its blockchain offerings.

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 grow from \$371.4 billion in 2020 to \$832.1 billion by 2025, at a CAGR of 17.5%. The shift to remote work and digital transformation initiatives has accelerated cloud adoption across various industries.
- Key Companies:
 - Amazon Web Services (AWS): AWS is a leader in the cloud computing space, offering a wide range of services including computing power, storage, and databases. The company continues to innovate and expand its offerings, maintaining a strong competitive position.
 - Microsoft Azure: Azure is a key player in the cloud market, providing a comprehensive suite of cloud services. Microsoft's strategic focus on hybrid cloud solutions positions it well to capture market share as businesses seek flexible cloud options.
 - Competitive Landscape: The cloud computing market is characterized by intense competition among major players like Google Cloud (GOOGL) and IBM Cloud. The race for market leadership is driving innovation and pushing companies to enhance their service offerings.
- M&A Opportunities: Companies looking to expand their cloud capabilities may pursue acquisitions of smaller

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6. Recommended Readings

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

- Reading Material: "Water Treatment: Principles and Design" by M. E. McGhee
- Why This Matters: This book provides foundational knowledge about water treatment processes and industry dynamics, which is crucial for understanding Hawkins' strategic rationale behind acquiring StillWaters Technology. It helps contextualize the operational synergies and market expansion opportunities that Hawkins aims to achieve through this acquisition.

Deal Name: MYnd Analytics Acquisition of AI Technology

- Reading Material: "Artificial Intelligence in Healthcare" by Adam Bohr and Kira Radinsky
- Why This Matters: This resource offers insights into the applications of AI in healthcare, which is directly relevant to MYnd Analytics' acquisition of AI technology. It explains how AI can enhance mental health treatment solutions, helping to understand the strategic importance of this deal in positioning MYnd as a leader in the mental health tech space.

7. MACROECONOMIC UPDATE

Key Data Points:

- July Employment Growth: Slow payroll growth observed
- Unemployment Rate: Expected to rise
- GDP Growth: Approximately 1.3% in the first half of the year
- Forecasted Rate Cuts: Six rate cuts projected by end of 2026

Main Insights:

- Fed is shifting towards a risk management mode due to concerns over the labor market.
- Chair Powell's comments indicate a potential for two to three rate cuts before year-end.
- The Fed is likely to proceed cautiously with any adjustments to interest rates.
- Growth is expected to dip, but inflation is anticipated to decline next year.

Market Commentary:

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- "The Fed became much more worried about downside risk to the labor market after the July employment report." - Michael Gapen
- "Proceed cautiously" suggests markets should not expect aggressive rate cuts like last year. - Matthew Hornbach

TMT Sector Relevance:

- Potential rate cuts could lower borrowing costs for TMT companies, encouraging M&A activity.
- A cautious Fed may lead to increased investment in technology and media sectors as companies seek to capitalize on lower interest rates.
- Labor market concerns could impact consumer spending, affecting TMT companies reliant on discretionary spending.

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