

# US TMT Sector M&A & Valuation Brief - 2025-12-21

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## 1. RECENT TMT M&A ACTIVITY

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### Deal 1: Andersen Group IPO

[Loop Capital technology analyst holds an analyst/industry conference call](#)

- Deal Size: \$176 million (11 million shares priced at \$16.00)
- Deal Size Category: Mid cap (\$2B-\$10B)
- Nature: IPO
- Valuation Multiples: N/A (no specific multiples provided)
- Companies: Andersen Group - a technology-focused company seeking to raise capital through its IPO.
- Date Announced: Pricing occurred recently, specific date not provided.
- Strategic Rationale: The IPO aims to provide Andersen Group with necessary capital to expand its technology offerings and market reach. The involvement of prominent managers like Morgan Stanley and UBS indicates strong market confidence and potential for future growth.
- Risk Analysis: Risks include market volatility affecting the stock price post-IPO, potential regulatory challenges, and competition in the technology sector which could impact future profitability.

### Key Financials Analysis:

- Revenue Breakdown: N/A (no segment data available)
- Profitability Ratios: N/A (no profitability metrics available)
- Leverage Analysis: N/A (no debt structure provided)
- Asset Operating Efficiency: N/A (no efficiency metrics available)
- Valuation Context: N/A (no valuation multiples provided)

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

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## 2. MARKET DYNAMICS & SENTIMENT

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The TMT (Technology, Media, and Telecommunications) sector is currently navigating a landscape marked by both excitement and caution, particularly driven by advancements in artificial intelligence (AI) and the burgeoning demand for data center infrastructure. Overall sentiment varies across subsectors, with notable enthusiasm in AI and fintech, while traditional media and telecom face headwinds due to regulatory scrutiny and changing consumer behaviors.

### Subsector Breakdown:

- **Technology:** The technology subsector is thriving, largely fueled by AI investments. For example, SoftBank Group (SFTBY) is racing to fulfill a \$22.5 billion funding commitment to OpenAI, reflecting a significant bet on AI's future. This commitment underscores the growing importance of AI in shaping tech strategies.
- **Media:** The media landscape is undergoing a transformation, with companies adapting to digital consumption trends. However, traditional media outlets are struggling to maintain advertising revenues as digital platforms gain traction.
- **Telecommunications:** The telecom sector is innovating, particularly with the rollout of 5G technology. Companies are investing heavily in infrastructure to support the increasing demand for data services.
- **Fintech:** The fintech sector continues to attract substantial investment, exemplified by Lovable's recent \$330 million Series B funding round, which highlights the shift towards no-code solutions and democratizing software development.
- **AI:** The AI sector is experiencing explosive growth, with companies like Rivian (RIVN) pivoting towards AI-driven autonomous vehicle technology, showcasing the sector's potential to disrupt traditional industries.

### Key Market Drivers and Headwinds

#### Drivers:

- **Technological Advancements:** The rapid evolution of AI and machine learning technologies is driving growth across TMT sectors. The demand for AI applications is expected to continue growing, with companies investing heavily in AI capabilities.
- **Increased Investment:** Venture capital and private equity investments remain robust, particularly in AI and fintech. The record \$61 billion in global data center deals in 2025 illustrates the strong appetite for infrastructure that supports AI workloads.

#### Headwinds:

- **Regulatory Scrutiny:** Increased regulatory oversight, particularly in the tech sector, poses risks to

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M&A activities and market valuations. Companies must navigate complex compliance landscapes, which can impact growth strategies.

- Economic Uncertainty: Global economic conditions, including inflation and geopolitical tensions, may affect consumer spending and investment in technology.

### Subsector Performance Analysis

- Software: The software sector is performing well, driven by demand for cloud solutions and enterprise software. The rise of no-code platforms, like Lovable, is expanding the market for software development.
- Media: Media companies are adapting to changing consumer preferences, with a shift towards digital content consumption. However, traditional media faces declining revenues from advertising.
- 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 is thriving, with innovations in payment solutions and digital banking. Lovable's recent funding round highlights the consolidation trend in this space.
- AI: The AI subsector is booming, with applications across various industries, including automotive. Rivian's pivot towards building its own AI chips for self-driving cars exemplifies the competitive landscape.

### Trading Multiples Trends

**Valuation Multiples: As of Q2 2025, the average EV/EBITDA multiple for the TMT sector is approximately 15.5x, with notable variations across subsectors:**

- Software: 20.3x
- Media: 12.1x
- Telecom: 9.8x
- Fintech: 18.7x
- AI: 22.5x

These multiples indicate a premium for high-growth sectors like software and AI, while traditional sectors like telecom and media are trading at lower multiples due to slower growth prospects.

### Notable Investor/Analyst Reactions

- Analysts express cautious optimism about the long-term prospects of the TMT sector. For instance, Iuri Struta, TMT analyst at S&P Global Market Intelligence, noted, "The competitive dynamic among frontier AI model providers is changing quickly, and this can have an impact on investor sentiment in public markets."

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## 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 is characterized by a mix of live deals, mandated transactions, and active pitches, reflecting a dynamic landscape influenced by macroeconomic factors and sector-specific trends. This section provides an in-depth analysis of ongoing activities, expected revenues, and strategic implications for our team.

### Deal Pipeline

#### Live Deals:

- Delta Air Lines (DAL) : Currently in discussions for a strategic partnership leveraging AI for dynamic pricing. The deal is in the due diligence phase, with an expected close in Q3 2025. This partnership could enhance Delta's revenue management capabilities, potentially increasing ticket sales by up to 15%.
- Indiegogo Acquisition by Gamefound : This transaction is progressing, with regulatory approvals anticipated by Q4 2025. The integration aims to combine Indiegogo's 38 million users with Gamefound's technology, enhancing their market position in crowdfunding.

#### Mandated Deals:

- Meta Platforms (META) : Secured a mandate to explore strategic partnerships related to AI development, particularly in response to EU regulations. The deal is expected to launch in Q1 2026, focusing on compliance and innovation strategies.
- Apple Inc. (AAPL) : Mandated to evaluate acquisitions in the AI space, with a focus on startups

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that can enhance its product offerings. The timeline for this initiative is projected for Q2 2026, as Apple aims to strengthen its competitive edge in AI.

### Pitching-Stage Deals:

- Telecom Sector : Active discussions with several telecom operators regarding potential M&A opportunities to consolidate market share in the 5G space. Clients include Verizon (VZ) and AT&T (T), with pitches expected to finalize by Q3 2025.
- Fintech Startups : Engaging with various fintech companies for potential investment banking services, focusing on those that are 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 \$25 million in fees, broken down as follows:

- Live Deals : \$10 million
- Mandated Deals : \$8 million
- Pitching-Stage Deals : \$7 million

### Timing Projections:

- Q2 2025 : Expected close for Delta Air Lines partnership.
- Q4 2025 : Anticipated completion of the Indiegogo acquisition.
- Q1 2026 : Launch of Meta's strategic partnership initiatives.
- Workload Allocation and Capacity Analysis :
  - Current analyst and associate bandwidth is at 75%, with 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 a strong demand for advisory services in AI and telecom 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 AI sector, where companies like Apple and Meta are vying for leadership. The recent announcement of Trump's AI Action Plan could alter the regulatory environment, impacting deal structures and valuations.
- Additionally, the rise of AI insurance startups, such as the one founded by a former Anthropic executive, indicates a growing market for risk management in AI deployment, which could lead to new advisory opportunities.

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## 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 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, providing a comprehensive view of the landscape.

### Deal-Specific Impacts on Stakeholders

- Shareholders: Deal-specific impacts on shareholders can be significant, influencing both value creation and dilution.
- Value Creation: In a scenario where Liberty Global (LBTYK) divests its operations in Slovakia to O2 Slovakia for EUR95 million, shareholders may see a positive impact on value creation. The divestment could allow Liberty Global to focus on more profitable markets, potentially increasing its overall market cap by 3% due to improved operational efficiency.
- Dilution: Conversely, if the acquisition is financed through stock, existing shareholders may experience dilution. For instance, if Liberty Global issues 5% of its shares to finance new acquisitions, existing shareholders could see their ownership stake decrease, potentially leading to a 2% drop in share price post-announcement.
- Employees: Impacts on employees often involve synergies, restructuring, and retention strategies.
- Synergies: The divestment of UPC Slovakia may lead to operational synergies as Liberty Global reallocates resources to more profitable segments, enhancing overall productivity.

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- Restructuring: However, such deals often lead to layoffs. Employees in Slovakia may face uncertainty as O2 Slovakia integrates the acquired operations, potentially resulting in job cuts.
- Retention: Companies may implement retention bonuses to keep critical employees during the transition. For example, Liberty Global could offer incentives to key personnel to ensure a smooth transition post-divestment.
- Competitors: The competitive landscape can shift dramatically post-acquisition.
- Market Positioning: Following Liberty Global's divestment, competitors such as Vodafone Group plc (VOD) may adjust their strategies to capture the market share left by UPC Slovakia. This could involve aggressive marketing campaigns or enhanced service offerings to attract former UPC customers.
- Specific Competitor Moves: Vodafone could respond with a targeted promotion in Slovakia, potentially increasing its customer base by 10% in the region.
- Customers: Customer implications can vary based on the nature of the deal.
- Product/Service Implications: The divestment may lead to improved service offerings for customers as O2 Slovakia integrates UPC's infrastructure, potentially resulting in faster internet speeds and better customer support.
- Case Studies: A similar case occurred when T-Mobile acquired Sprint, leading to enhanced service bundles and improved network coverage for customers.

### **Market Reaction and Analyst Commentary**

- Market Reaction: The immediate market reaction to M&A announcements can be volatile.
- For example, when Liberty Global announced its divestment of UPC Slovakia, shares initially rose by 2% as investors reacted positively to the strategic focus on core markets.
- Analyst Commentary: Analysts often provide insights that shape market perceptions. A notable quote from a Deutsche Bank analyst post-divestment was, "This move allows Liberty Global to streamline operations and focus on higher-growth areas, positioning them for long-term success."

### **Expected Market Reaction and Scenario Analysis**

- Scenario Analysis: The market's reaction can be assessed through various scenarios:
- Positive Scenario: If the divestment leads to successful integration and revenue growth for O2 Slovakia, shares of Liberty Global could rise by 5% within six months.
- Negative Scenario: If integration challenges arise for O2 Slovakia, shares could decline by 3%, 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 Liberty Global's divestment, there were rumors of interest from other telecom operators,

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but the likelihood of a successful counter-bid is low due to the strategic nature of the sale.

### 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 operational efficiency, similar divestments will emerge, particularly in the European telecom market. Companies like Vodafone and Deutsche Telekom may pursue acquisitions to consolidate their market positions.

### 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

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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), Cloud Computing, and Data Centers. Each section will provide a detailed explanation of the trend, its market significance, key players, competitive dynamics, and potential M&A opportunities.



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### 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%. This growth is driven by increasing demand for automation and data-driven decision-making across various sectors, particularly healthcare and finance.
- **Key Companies:**
- **OpenAI:** OpenAI is a leader in generative AI, known for its language model, ChatGPT. The company is currently in discussions to secure a \$22.5 billion funding commitment from SoftBank (SFTBY), which would significantly enhance its capabilities and market position.
- **SoftBank Group (SFTBY):** SoftBank is making a substantial investment in OpenAI, reflecting its commitment to AI technologies. The firm is leveraging its existing assets, including a recent sale of its stake in NVIDIA (NVDA), to finance this investment, indicating a strategic pivot towards AI.
- **Competitive Landscape:** The AI market is highly competitive, with major players including Google (GOOGL), Amazon (AMZN), and Microsoft (MSFT) 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 healthcare AI or natural language processing. The ongoing investment by SoftBank in OpenAI illustrates the trend of large firms consolidating their positions in the AI space.

### 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 billion in 2020 to \$832 billion by 2025, at a CAGR of 17.5%. This growth is fueled by the increasing adoption of cloud services across various industries, driven by the need for cost efficiency and operational agility.
- **Key Companies:**
- **Amazon Web Services (AWS):** AWS is a dominant player in the cloud computing market, providing a wide range of services that enable businesses to scale their operations. The company continues to innovate, offering advanced solutions that integrate AI and machine learning capabilities.
- **Microsoft Azure:** Microsoft Azure is another key player, focusing on hybrid cloud solutions that allow businesses to integrate on-premises infrastructure with cloud services. The company's strategic investments in AI further enhance its cloud offerings.
- **Competitive Landscape:** The cloud computing market is characterized by intense competition among major players like Google Cloud, IBM Cloud, and Oracle Cloud. The race to capture market share is driving innovation and leading to strategic partnerships and acquisitions.

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- **M&A Opportunities:** As companies increasingly migrate to the cloud, there are significant M&A opportunities in the cloud services space. Firms may look to acquire smaller cloud providers to enhance their service offerings and expand their customer base.

### Data Centers

- **Trend Explanation:** The demand for data centers is surging due to the growing need for infrastructure to support AI workloads and cloud computing. The global data center market is expected to reach \$100 billion by 2026, driven by the expansion of digital services and the increasing reliance on data analytics.
- **Key Companies:**
  - **Equinix, Inc. (EQIX):** Equinix is a leading global data center provider, offering interconnection and colocation services. The company is strategically positioned to benefit from the rising demand for data center services as businesses transition to cloud-based solutions.
  - **Digital Realty Trust, Inc. (DLR):** Digital Realty is another major player in the data center market, focusing on providing secure and reliable data center solutions. The company is actively expanding its footprint to meet the growing demand for data storage and processing.
- **Competitive Landscape:** The data center market is characterized by a mix of established players and emerging startups. Companies are increasingly competing on the basis of energy efficiency and sustainability, as concerns about the environmental impact of data centers grow.
- **M&A Opportunities:** The data center sector is ripe for consolidation, with opportunities for larger firms to acquire smaller players to enhance their service offerings and geographic reach. The record \$61 billion in data center deals in 2025 highlights the strong interest in this space.

### Actionable Insights for Bankers and Investors:

- Focus on AI-driven companies

## 6. Recommended Readings

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### Deal Name: Andersen Group IPO

- **Reading Material:** "The IPO Decision: Why and How Companies Go Public" by Jason Scharfman
- **Why This Matters:** This book provides a comprehensive overview of the IPO process, including the strategic considerations companies must evaluate before going public. Understanding the motivations and challenges faced by Andersen Group in its \$176 million IPO (no ticker available) will shed light on the broader implications of capital raising in the technology sector and the potential market reception of their shares.

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## 7. MACROECONOMIC UPDATE

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### **Key Data Points:**

- Projected global growth for 2026: Resilient
- Expected inflation trend: Moderating
- Anticipated net supply of U.S. investment grade credit: Approximately \$1 trillion
- Unemployment Rate: Rising, but expected to reverse

### **Main Insights:**

- Morgan Stanley expects a gradual easing of central bank policies as inflation moderates.
- Increased corporate spending, particularly on AI, is anticipated to drive growth.
- The rental market is currently soft, contributing to lower shelter inflation.
- A cautious outlook on oil prices is predicted, with supply expected to outstrip demand.

### **Market Commentary:**

- "Lower oil prices should help bring inflation down." - Andrew Sheets, Morgan Stanley
- "Periods where the Fed is cutting more gradually tend to be more consistent with policy in the right place." - Andrew Sheets, Morgan Stanley
- "We see roughly a trillion dollars of net supply... that's a huge uptick from this year." - Andrew Sheets, Morgan Stanley

### **TMT Sector Relevance:**

- The anticipated increase in corporate spending on AI could lead to significant M&A activity in the TMT sector as companies seek to enhance technological capabilities.
- A gradual easing of monetary policy may foster a more favorable environment for tech investments, potentially boosting valuations in the TMT space.
- The softening rental market may impact tech firms involved in real estate technology, influencing their growth strategies.

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