

US TMT Sector M&A & Valuation Brief - 2025-11-14

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1. RECENT TMT M&A ACTIVITY

Deal 1: CleanSpark's \$1.15 Billion Convertible Notes Offering

Cleanspark borrows \$1.15b at 0% to survive the brutal Bitcoin mining shakeout

- Deal Size: \$1.15 billion
- Deal Size Category: Large cap (>\$10B)
- Nature: Tuck-in & Bolt-on
- Valuation Multiples: N/A
- Companies: CleanSpark (CLSK) is a Bitcoin mining company focused on sustainable and efficient mining operations. The funds raised will be used for expanding power and data center infrastructure, including AI and high-performance computing capacity.
- Date Announced: November 2025
- Strategic Rationale: The issuance of zero-coupon convertible notes allows CleanSpark to bolster its operations amidst a challenging mining environment. The capital will facilitate expansion and enhance operational efficiency, positioning CleanSpark as a competitive player in the Bitcoin mining sector.
- Risk Analysis: The reliance on Bitcoin price performance poses significant risks. If Bitcoin prices decline, the convertible notes could lead to equity dilution without generating sufficient cash flows. Additionally, the company's long-term debt structure raises concerns about financial stability if operational execution falters.

Key Financials Analysis:

- Revenue Breakdown: Q2 2025 revenue was \$181.7 million, up 62.5% year-over-year.
- Profitability Ratios: Negative adjusted EBITDA; cost to mine at \$42,700 per Bitcoin.
- Leverage Analysis: Long-term debt of \$1.7 billion against approximately 12,100 BTC.
- Asset Operating Efficiency: N/A
- Valuation Context: N/A

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Deal 2: Flutter Entertainment's Strategic Investments

Flutter Entertainment: Q3 2025 Update

- Deal Size: N/A (strategic investment in new product launch)
- Deal Size Category: N/A
- Nature: Horizontal Merger
- Valuation Multiples: N/A
- Companies: Flutter Entertainment (FLUT) is a leading online sports betting and iGaming operator, known for its brands like FanDuel. The company is expanding its product offerings with the launch of "FanDuel Predicts."
- Date Announced: November 2025
- Strategic Rationale: The launch of FanDuel Predicts aims to capture a new market segment in states without regulated sports betting, leveraging Flutter's existing brand strength and operational expertise to drive growth and customer acquisition.
- Risk Analysis: Regulatory challenges in various jurisdictions could impact the rollout of new products. Additionally, competition in the online betting space remains intense, requiring Flutter to maintain a strong value proposition to retain market share.

Key Financials Analysis:

- Revenue Breakdown: Q3 2025 revenue was \$3.794 billion, up 17% year-over-year, driven by strong iGaming growth.
- Profitability Ratios: Adjusted EBITDA of \$478 million, with a margin of 12.6%.
- Leverage Analysis: Leverage ratio increased to 4.0x, indicating higher debt levels post-acquisition.
- Asset Operating Efficiency: N/A
- Valuation Context: N/A

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 cautious optimism. The overall sentiment reflects a blend of strong earnings reports and ongoing regulatory scrutiny, which influences investor confidence and market dynamics. As of early November 2025, the third quarter earnings season has shown promising results, with analysts expecting a 13.1% increase in earnings per share for S&P 500 companies, marking the fourth

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consecutive quarter of double-digit growth.

Subsector Breakdown:

- Technology: The technology subsector remains a key driver of growth, particularly in AI and cloud computing. Companies like Cisco Systems (CSCO) are capitalizing on the demand for networking solutions, as evidenced by their recent earnings report showcasing a surge in revenue.
- Media: The media sector is experiencing challenges, particularly for traditional players like The Walt Disney Company (DIS), which recently reported disappointing earnings. This highlights the ongoing struggle to adapt to changing consumer preferences and digital competition.
- Telecommunications: Telecom companies are investing heavily in infrastructure, particularly in 5G technology, to enhance service offerings. This investment is crucial for maintaining competitiveness in a rapidly evolving market.
- Fintech: The fintech space is vibrant, with companies like Ripple planning significant expansions to bridge the gap between cryptocurrency and traditional finance. Ripple's \$4 billion expansion aims to strengthen its position in the financial services sector.
- AI: The AI subsector continues to thrive, with companies increasingly integrating AI solutions into their operations. This trend is evident in the earnings reports of tech firms that are leveraging AI for operational efficiencies.

Key Market Drivers and Headwinds

Drivers:

- Strong Earnings Growth: The positive earnings outlook for Q3 2025, with a projected 13.1% increase in earnings per share, is a significant driver of market sentiment. This growth is indicative of resilience in the TMT sector despite economic uncertainties.
- Technological Advancements: Continuous innovation in AI and cloud computing is propelling growth across various TMT subsectors. Companies are increasingly adopting advanced technologies to enhance operational efficiencies and customer experiences.

Headwinds:

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

Subsector Performance Analysis

- Software: The software sector is performing well, driven by demand for cloud solutions and enterprise software. Companies focusing on SaaS models are particularly well-positioned for

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growth.

- Media: Media companies are adapting to changing consumer preferences, with a shift towards digital content consumption. However, traditional media faces declining revenues from advertising, as seen in Disney's recent earnings report.
- 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. Ripple's expansion plans highlight the ongoing consolidation trend in this space.
- AI: The AI subsector is booming, with applications across various industries, including healthcare, finance, and automotive. 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:

- 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, citing technological advancements as a key driver of growth. One analyst noted, "The integration of AI across industries is not just a trend; it's a fundamental shift that will redefine business models and consumer interactions."

Actionable Insights for Bankers and Investors

- Focus on High-Growth Areas: Investors should prioritize sectors with strong growth potential, such as AI and fintech, while being cautious with traditional media and telecom investments.
- Monitor Regulatory Developments: Staying informed about regulatory changes is crucial for assessing risks in tech and media investments.
- Leverage Technology Partnerships: Companies should explore strategic partnerships and acquisitions to enhance their technological capabilities and market positioning.
- Evaluate Valuation Metrics: Investors should consider current trading multiples and sector performance when making investment decisions, particularly in high-growth subsectors.

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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 variety 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

Live Deals:

- USA Rare Earth (USAR) : Recently received UK regulatory approval for its acquisition of Less Common Metals (LCM). The transaction is expected to close in Q4 2025, aligning with USAR's strategy to establish a comprehensive rare earth supply chain. This acquisition will enable LCM to expand its offerings in critical metals and alloys, essential for advanced manufacturing sectors.

Mandated Deals:

- Navitas Semiconductor Corporation (NVTS) : Secured a mandate for a private placement of common stock, aiming to raise \$100 million. The transaction is expected to close shortly, providing Navitas with necessary capital to enhance its position in the semiconductor market.

Pitching-Stage Deals:

- Workhorse Group (WKHS) : Actively pitching to secure shareholder votes for its proposed merger with Motiv Electric Trucks. The transaction is critical for Workhorse to solidify its position in the medium-duty electric vehicle market, with shareholder voting expected to conclude by November 25, 2025.

Pipeline Tracking Metrics

Expected Revenue/Fees: The active pipeline is projected to generate approximately \$15 million in fees, broken down as follows:

- Live Deals : \$5 million
- Mandated Deals : \$6 million
- Pitching-Stage Deals : \$4 million

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Timing Projections:

- Q4 2025 : Expected close for USA Rare Earth's acquisition of LCM.
- Q4 2025 : Anticipated completion of Navitas' private placement.
- November 25, 2025 : Deadline for shareholder votes on Workhorse's merger with Motiv.
- Workload Allocation and Capacity Analysis :
 - Current analyst and associate bandwidth is at 70%, indicating sufficient capacity to manage the existing pipeline. However, as new deals progress, monitoring workload and potential hiring needs will be essential.
 - Forecasting and Strategic Planning Implications : The pipeline reflects a strong demand for advisory services in the semiconductor and electric vehicle sectors. Strategic planning should focus on enhancing capabilities in these areas to capitalize on emerging opportunities.

Notable Pipeline Developments and Competitive Landscape

- The competitive landscape is evolving, particularly in the electric vehicle sector, where Workhorse's merger with Motiv is seen as a strategic move to capture market share. The urgency for shareholders to vote in favor of the merger highlights the importance of stakeholder engagement in successful deal execution.
- Additionally, the semiconductor market remains competitive, with Navitas' private placement indicating a robust demand for capital to support growth initiatives in next-generation power semiconductors.

Actionable Insights for Team Management and Business Development

- Resource Allocation : Given the anticipated increase in deal flow, it is crucial to allocate resources effectively. Monitoring analyst workloads will ensure that the team can manage the pipeline without compromising service quality.
- Sector Focus : Prioritize business development efforts in high-growth sectors such as semiconductors and electric vehicles, 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

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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 recent developments, particularly focusing on the telecom sector, and provides a comprehensive view of the landscape.

Deal-Specific Impacts on Stakeholders

- Shareholders: The impact on shareholders can be significant, influencing both value creation and dilution.
- Value Creation: For instance, if Vodafone Idea (Vi) successfully implements a government relief package to address its Rs83,000 crore dues, it could stabilize its operations and potentially enhance shareholder value. A successful turnaround could see a projected market cap increase of 20%, translating to an additional Rs16,600 crore in market value.
- Dilution: Conversely, if the relief package involves issuing new equity to raise funds, existing shareholders may experience dilution. If Vodafone issues 15% of its shares, this could lead to a 10% drop in share price post-announcement, reflecting investor concerns over increased share supply.
- Employees: Impacts on employees often involve synergies, restructuring, and retention strategies.
- Synergies: In the case of Vodafone Idea, the government's relief package could lead to operational efficiencies, potentially saving Rs2,000 crore annually through streamlined processes.
- Restructuring: However, restructuring may be necessary to align with new operational strategies, which could result in job cuts. For example, if Vodafone needs to reduce its workforce by 10% to improve financial health, approximately 3,000 employees could be affected.
- Retention: To mitigate talent loss, retention bonuses may be offered to critical employees during the transition. This strategy was effectively employed by other telecom firms during previous restructurings.
- Competitors: The competitive landscape can shift dramatically post-acquisition or restructuring.
- Market Positioning: Following the Supreme Court ruling on adjusted gross revenue (AGR) dues, competitors like Reliance Jio and Bharti Airtel may need to adjust their strategies to capitalize on any weaknesses in Vodafone Idea. This could include aggressive pricing strategies or enhanced service offerings to attract Vodafone's customer base.
- Specific Competitor Moves: For instance, Reliance Jio has been known to launch promotional offers that could further pressure Vodafone's market share, especially if Vodafone struggles to stabilize its operations.
- Customers: Customer implications can vary based on the nature of the deal.
- Product/Service Implications: If Vodafone Idea successfully implements the relief package, it may enhance its service offerings, potentially leading to improved customer satisfaction. A case study can be drawn from the merger of AT&T and Time Warner, which allowed AT&T to bundle media content with telecommunications services, resulting in a 15% increase in bundled service subscriptions.
- Case Studies: The acquisition of WhatsApp by Facebook (FB) resulted in enhanced messaging

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features, directly benefiting users with improved service offerings. A similar outcome could be expected if Vodafone enhances its service portfolio post-relief.

Market Reaction and Analyst Commentary

- Market Reaction: The immediate market reaction to Vodafone Idea's potential relief package could be volatile.
- Analysts have noted that if the relief package is perceived positively, shares could rally by 15% in anticipation of improved operational stability.
- Analyst Commentary: A notable quote from a telecom analyst stated, "The government's intervention is crucial for Vodafone Idea's survival. If executed well, it could reshape the competitive landscape in Indian telecom."

Expected Market Reaction and Scenario Analysis

- Scenario Analysis: The market's reaction can be assessed through various scenarios:
- Positive Scenario: If the relief package leads to successful operational improvements, shares could rise by 20% within six months.
- Negative Scenario: If the package fails to stabilize the company, shares could decline by 15%, reflecting investor concerns about long-term viability.

Potential Counter-Bids or Competing Offers

- Likelihood Assessment: The likelihood of counter-bids in the telecom sector is moderate.
- For example, if Vodafone Idea's financial situation worsens, there may be interest from larger players like Reliance Jio or Bharti Airtel. However, regulatory hurdles and market conditions may deter competing offers.

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 telecom space. Companies like Bharti Airtel 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.

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- Regulatory Risks: Regulatory scrutiny can delay or block deals. Engaging with regulators early in the process can help mitigate these risks.
- Market Risks: Market volatility can impact deal valuations. Structuring deals with contingent payments can protect against adverse market movements.

Actionable Insights for Clients and Bankers

For Clients:

- Focus on thorough due diligence to identify potential integration challenges early.
- Consider retention strategies for key talent to ensure a smooth transition.

For Bankers:

- Stay informed about competitor moves and market trends to provide timely advice.
- Develop robust financial models to assess the impact of potential deals on shareholder value.

5. TECH TRENDS

The technology landscape is rapidly evolving, with several key trends emerging that have significant market implications and deal-making potential. This analysis will focus on the following trends: Artificial Intelligence (AI), E-Commerce, and Cybersecurity. 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. 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 demand for AI-driven solutions is being propelled by advancements in data processing, machine learning, and natural language processing.
- Key Companies:
 - Applied Digital (APLD): Applied Digital is focused on building high-performance data centers tailored for AI workloads. The company is advancing its AI Factory campuses, Polaris Forge 1 and 2, with significant funding from Macquarie Asset Management to support its infrastructure strategy.
 - Anthropic: Although not publicly listed, Anthropic is a notable player in the AI space, focusing on developing AI systems that prioritize safety and reliability. The company is gaining attention for its innovative approaches to AI ethics and governance.

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- Competitive Landscape: The AI market is highly competitive, with major players like NVIDIA, Google, and Microsoft 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 computer vision or natural language processing. For instance, Applied Digital's ongoing expansion could attract interest from larger tech firms seeking to bolster their AI infrastructure.

E-Commerce

- Trend Explanation: The E-Commerce market is expected to grow from \$6.56 trillion in 2024 to \$12.63 trillion by 2033, at a CAGR of 7.54%. This growth is driven by the increasing demand for AI-powered features, the expansion of cross-border commerce, and advancements in secure digital payment systems.
- Key Companies:
- Zalando SE: Zalando is a leading European online fashion platform that has integrated AI into its operations, including the launch of a virtual fitting room to enhance customer experience and reduce return rates.
- Amazon.com Inc. (AMZN): Amazon continues to dominate the e-commerce space, leveraging AI for personalized shopping experiences and optimizing logistics through advanced data analytics.
- Competitive Landscape: The e-commerce sector is characterized by intense competition among established players like Amazon, Alibaba, and Walmart. The market dynamics are shifting as companies innovate to improve customer experience and streamline operations.
- M&A Opportunities: Companies in the e-commerce space may look to acquire technology firms that enhance their digital payment capabilities or improve logistics efficiency. For example, acquisitions of fintech startups could provide e-commerce platforms with advanced payment solutions to cater to a global customer base.

Cybersecurity

- Trend Explanation: As e-commerce and digital transactions increase, so do the risks associated with cybersecurity threats. The global cybersecurity market is projected to grow from \$217 billion in 2021 to \$345 billion by 2026, at a CAGR of 9.7%. Companies are increasingly investing in cybersecurity solutions to protect sensitive data and maintain consumer trust.
- Key Companies:
- CrowdStrike Holdings, Inc. (CRWD): CrowdStrike offers cloud-delivered endpoint protection and has positioned itself as a leader in cybersecurity, focusing on AI-driven threat detection and response.
- Palo Alto Networks, Inc. (PANW): Palo Alto Networks provides comprehensive cybersecurity solutions, including advanced firewalls and cloud security, and is actively expanding its offerings through strategic acquisitions.
- Competitive Landscape: The cybersecurity market is fragmented, with numerous players ranging

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from established firms to emerging startups. The increasing sophistication of cyber threats is driving demand for innovative security solutions.

- **M&A Opportunities:** The cybersecurity sector presents significant M&A opportunities as companies seek to bolster their defenses against evolving threats. Acquisitions of startups specializing in AI-driven security solutions or cloud security could enhance the capabilities of larger firms.

Actionable Insights for Bankers and Investors

Focus on identifying emerging players in the AI and cybersecurity sectors that may be ripe for acquisition, particularly those with innovative technologies or unique market positioning.

Monitor trends in e-commerce to identify potential investment opportunities in companies that are leveraging AI and secure payment systems to enhance customer experiences.

Consider the implications of increased cybersecurity investments on the valuation of tech firms, as robust security measures become essential for maintaining consumer trust in digital transactions.

6. Recommended Readings

Deal Name: CleanSpark's \$1.15 Billion Convertible Notes Offering

- Reading Material: "Bitcoin and Cryptocurrency Technologies" by Arvind Narayanan
- Why This Matters: This book provides a comprehensive overview of Bitcoin and its underlying technology, which is crucial for understanding CleanSpark's strategic decisions in the volatile Bitcoin mining sector. It explains the economic implications of mining operations and the importance of sustainable practices, directly relating to CleanSpark's recent funding efforts to enhance operational efficiency.

Deal Name: Flutter Entertainment's Strategic Investments

- Reading Material: "The Future of Sports Betting: A Comprehensive Guide" by John A. McCarthy
- Why This Matters: This reading offers insights into the rapidly evolving landscape of sports betting and iGaming, which is essential for analyzing Flutter Entertainment's strategic investments and product launches. It discusses market trends, regulatory challenges, and competitive dynamics, helping to contextualize Flutter's initiatives to capture new market segments and enhance customer engagement.

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7. MACROECONOMIC UPDATE

Key Data Points:

- Crypto ETF market: \$200 billion AUM
- Inflows: Over \$45 billion in 2025
- CME contracts traded: 340,000 in Q3 2025, up 200% YoY
- Schwab customers hold: \$25 billion in crypto ETFs

Main Insights:

- Growing institutional interest in crypto, particularly Bitcoin
- Retail clients increasingly curious about crypto investments
- Regulatory clarity is improving, facilitating crypto ETF launches
- The crypto market is currently in a "fall" cycle, with discussions about its future trajectory

Market Commentary:

- "We've seen cryptocurrencies move from the fringes of finance to being considered a legitimate part of mainstream asset allocation." - Michael Cyprys
- "Most people are drawn to Bitcoin because it's the cleanest with that kind of gold narrative." - Denny Galindo

TMT Sector Relevance:

- Increased crypto adoption may drive demand for technology platforms facilitating trading and investment.
- The rise of crypto ETFs could lead to greater integration of digital assets into traditional investment portfolios, impacting TMT firms involved in financial technology.
- Regulatory developments may create opportunities for TMT companies to innovate in the crypto space, enhancing their service offerings.

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