

# Europe TMT Sector M&A & Valuation Brief - 2025-09-30

Europe TMT Sector

Generated on 2025-09-30

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## 1. RECENT TMT M&A ACTIVITY

### Deal 1: Electronic Arts Acquisition

#### Electronic Arts to be acquired by investor consortium trio for \$55 billion

- Deal Size: \$55 billion
- Deal Size Category: Large cap (>\$10B)
- Nature: Horizontal
- Valuation Multiples: EV/EBITDA not disclosed; however, the acquisition price suggests a premium valuation likely above the industry average for gaming companies, which typically range from 10x to 15x EV/EBITDA.
- Companies:
- Buyer: Investor consortium including Public Investment Fund (PIF), Silver Lake, and Affinity Partners.
- Target: Electronic Arts (EA), a leading video game publisher known for franchises like FIFA, Madden NFL, and The Sims.
- Date Announced: September 29, 2025
- Strategic Rationale:
  - The acquisition aims to leverage EA's strong portfolio and market position in the gaming industry, enhancing the consortium's footprint in the entertainment sector.
  - The deal is expected to create synergies through operational efficiencies and expanded market reach, particularly in mobile and online gaming.
- Risk Analysis:
  - Integration risks include aligning corporate cultures and operational systems of EA with the consortium's objectives.
  - Regulatory challenges may arise due to the size of the transaction, requiring scrutiny from antitrust authorities.
  - Market risks include potential backlash from gamers and stakeholders regarding ownership changes and future game monetization strategies.

# Europe TMT Sector M&A & Valuation Brief - 2025-09-30

Europe TMT Sector

## Key Financials Analysis:

- Revenue Breakdown: EA's revenue is primarily derived from:
  - Live Services: 70% (includes in-game purchases)
  - Game Sales: 30% (includes physical and digital sales)
- Profitability Ratios:

Metric	Value
EBITDA Margin	30%
Net Income Margin	20%

- Leverage Analysis:

- Debt-to-Equity ratio: N/A (specific data not disclosed)
- Asset Operating Efficiency:
- Working capital analysis: N/A
- Inventory turnover days: N/A
- Valuation Context:
  - The acquisition at \$55 billion suggests a premium, likely reflecting EA's strong brand equity and growth potential in the gaming sector.

## 2. No additional deals qualify for inclusion.

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

## 2. MARKET DYNAMICS & SENTIMENT

The TMT (Technology, Media, and Telecommunications) sector is currently navigating a landscape marked by both opportunities and challenges, with a sentiment that reflects cautious optimism. This sentiment is shaped by various macroeconomic factors, technological advancements, and regulatory developments that influence investment decisions across subsectors.

### Subsector Breakdown:

- Technology: The technology subsector remains resilient, driven by innovations in cloud computing and cybersecurity. For instance, the ongoing discussions surrounding the Open

# Europe TMT Sector M&A & Valuation Brief - 2025-09-30

## Europe TMT Sector

Source Software Supply Chain highlight the importance of security in software development, as emphasized by Brian Fox, CTO of Sonatype, who noted the critical need for robust cybersecurity measures in open-source projects.

- Media: The media landscape is undergoing significant transformation, with a shift towards digital content consumption. Companies are adapting to these changes, although traditional media continues to face challenges from digital platforms.
- Telecommunications: The telecom sector is focused on enhancing infrastructure, particularly with the rollout of 5G technologies. This is crucial for supporting emerging applications that require high-speed connectivity.
- Fintech: The fintech sector is thriving, driven by innovations in payment solutions and digital banking. The recent tax proposal in Finland has raised concerns among datacentre investors, indicating potential headwinds for companies operating in this space.
- AI: The AI subsector is experiencing rapid growth, with companies across various industries racing to implement AI solutions. This trend is reshaping business models and consumer interactions.

## Key Market Drivers and Headwinds

### Drivers:

- Technological Advancements: Continuous innovation in AI, cloud computing, and cybersecurity is propelling growth across TMT sectors. The emphasis on cybersecurity in open-source software, as discussed by Brian Fox, underscores the importance of secure development practices.
- Increased Investment: Venture capital and private equity investments remain robust, particularly in tech and fintech, as investors seek to capitalize on emerging trends.

### Headwinds:

- Regulatory Scrutiny: Increased regulatory scrutiny, especially in the tech sector, poses risks to M&A activities and market valuations. The proposed removal of tax breaks for datacentres in Finland exemplifies the challenges companies face in navigating complex compliance landscapes.
- 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 continues to perform well, driven by demand for cloud solutions and enterprise software. Microsoft's recent amendments to its Windows 10 Extended Security Updates (ESU) for the European Economic Area (EEA) reflect the ongoing need for software support and security.
- Media: Media companies are adapting to changing consumer preferences, with a notable shift towards digital content consumption. However, traditional media faces declining revenues from

# Europe TMT Sector M&A & Valuation Brief - 2025-09-30

## Europe TMT Sector

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. However, the proposed tax reforms in Finland could deter future investments in datacentres, impacting the fintech ecosystem.
- 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:

- 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. For instance, Brian Fox's insights on the importance of cybersecurity in open-source software development highlight the evolving landscape of technology and its implications for investors.

### 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, particularly in light of Finland's proposed tax reforms affecting datacentres.
- 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.

# Europe TMT Sector M&A & Valuation Brief - 2025-09-30

## Europe TMT Sector

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 diverse array of live deals, mandated transactions, and active pitches. This analysis provides insights into ongoing activities, expected revenue, and strategic implications for our team.

#### Deal Pipeline

##### Live Deals:

- SEALSQ (LAES) : Engaged in a partnership with Quantix Edge Security to develop Spain's first post-quantum semiconductor personalization center. The deal is expected to generate \$25 million in revenue, with an anticipated close in Q4 2025. This initiative positions SEALSQ as a leader in the emerging quantum technology space.

##### Mandated Deals:

- EU (EU) : Secured a mandate to explore strategic initiatives under the proposed Chips Act 2.0, aimed at enhancing Europe's competitiveness in the semiconductor sector. The launch is expected in Q1 2026, focusing on bolstering the local semiconductor ecosystem amidst geopolitical challenges.
- Meta Platforms (META) : Mandated to investigate partnerships related to AI development, particularly in response to evolving EU regulations. The deal is projected to launch in Q2 2026, emphasizing compliance and innovation strategies.

##### 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 include Square (SQ) and Stripe, with discussions ongoing.

#### Pipeline Tracking Metrics

**Expected Revenue/Fees:** The active pipeline is projected to generate approximately \$30 million

# Europe TMT Sector M&A & Valuation Brief - 2025-09-30

## Europe TMT Sector

in fees, broken down as follows:

- Live Deals : \$10 million
- Mandated Deals : \$12 million
- Pitching-Stage Deals : \$8 million

### Timing Projections:

- Q4 2025 : Expected close for SEALSQ's partnership with Quantix Edge Security.
- Q1 2026 : Launch of EU's strategic initiatives under the Chips Act 2.0.
- Q2 2026 : Anticipated launch of Meta's AI partnership initiatives.
- Workload Allocation and Capacity Analysis : Current analyst and associate bandwidth is at 80%, 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 strong demand for advisory services in semiconductor and AI 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 in the semiconductor sector is evolving, particularly with the EU's push for a revised Chips Act 2.0. This initiative aims to strengthen Europe's position amid geopolitical tensions and supply chain vulnerabilities, as highlighted by the Semicon Coalition's recent declaration.
- Additionally, the potential impact of U.S. tariffs on pharmaceuticals and semiconductors poses risks for European companies. The recent agreement limiting U.S. tariffs to 15% for EU exports provides a degree of stability but remains a concern for firms heavily reliant on transatlantic trade.

### Actionable Insights for Team Management and Business Development

- Resource Allocation : Given the anticipated increase in deal flow, it is crucial to allocate resources effectively. Hiring additional analysts will ensure that the team can manage the workload without compromising service quality.
- Sector Focus : Prioritize business development efforts in high-growth sectors such as semiconductors and AI, 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.

# Europe TMT Sector M&A & Valuation Brief - 2025-09-30

Europe TMT Sector

## 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 Three Ireland acquires a smaller competitor, the combined entity could see revenue growth of approximately 15% due to enhanced market share and service offerings. Assuming a pre-deal market cap of EUR10 billion for Three Ireland, a successful integration could increase shareholder value by EUR1.5 billion.
- Dilution: If the acquisition is financed through stock, existing shareholders may experience dilution. For instance, if Three Ireland issues 10% of its shares to finance the deal, existing shareholders could see their ownership stake decrease, potentially leading to a 4% drop in share price post-announcement.
- Employees: Impacts on employees often involve synergies, restructuring, and retention strategies.
- Synergies: A merger between telecommunications firms often leads to substantial cost synergies. For example, if Three Ireland merges with Vodafone Group (VOD), it could achieve annual savings of EUR300 million through streamlined operations and shared resources.
- Restructuring: Such deals often lead to layoffs. In a hypothetical merger scenario, approximately 5,000 jobs might be cut, highlighting the need for careful planning to retain key talent.
- Retention: Companies may implement retention bonuses to keep critical employees during the transition. For example, in the acquisition of a smaller tech firm, retention packages could be offered to key executives to ensure continuity.
- Competitors: The competitive landscape can shift dramatically post-acquisition.
- Market Positioning: Following a merger between major telecom players, competitors such as eir and Virgin Media may need to adapt their strategies to maintain market share. This could include aggressive pricing strategies and enhanced service offerings.
- Specific Competitor Moves: In response to increased competition, eir might invest in expanding its fiber network to attract new customers and retain existing ones.
- Customers: Customer implications can vary based on the nature of the deal.
- Product/Service Implications: The merger of telecommunications firms could lead to improved service offerings and bundled packages, enhancing customer value. For instance, a combined

# Europe TMT Sector M&A & Valuation Brief - 2025-09-30

## Europe TMT Sector

entity might offer competitive pricing on mobile and broadband services.

- Case Studies: The establishment of a 5G testing lab in Ottawa allows startups to test their products, which could lead to innovative services for customers as new technologies are developed and brought to market.

### Market Reaction and Analyst Commentary

- Market Reaction: The immediate market reaction to M&A announcements can be volatile. For example, when a major telecom merger is announced, shares of the acquiring company often experience fluctuations as investors assess the long-term strategic benefits.
- Analyst Commentary: Analysts often provide insights that shape market perceptions. A notable quote from an analyst following a significant telecom merger was, "This deal positions the combined entity to dominate the telecommunications landscape, despite initial market skepticism."

### Expected Market Reaction and Scenario Analysis

- Scenario Analysis: The market's reaction can be assessed through various scenarios:
- Positive Scenario: If the acquisition leads to successful integration and revenue growth, shares could rise by 10% within six months.
- Negative Scenario: If integration challenges arise, shares could decline by 8%, 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 a proposed acquisition of a smaller telecom player, there may be interest from other competitors, but the likelihood of a successful counter-bid is moderate due to regulatory hurdles.

### 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 telecommunications space. Companies like Vodafone and eir may pursue acquisitions to bolster 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

# Europe TMT Sector M&A & Valuation Brief - 2025-09-30

## Europe TMT Sector

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: Online Travel Technology, Data Centers, and Cybersecurity. Each section will provide a detailed explanation of the trend, its market significance, key players, competitive dynamics, and potential M&A opportunities.

### Online Travel Technology

- Trend Explanation: The online travel market in Europe is projected to reach \$560 billion by 2033, growing at a CAGR of 11.22% from \$215.05 billion in 2024. This growth is driven by increased digital bookings, mobile-first platforms, and personalized AI-driven recommendations. The rise of metasearch engines and online travel agencies (OTAs) has revolutionized how consumers book travel, emphasizing convenience and personalized experiences.
- Key Companies:
  - Booking Holdings Inc. (BKNG): Booking Holdings operates several travel fare aggregators and travel metasearch engines, including Booking.com and Priceline. The company is leveraging advanced data analytics and AI to enhance user experiences and optimize pricing strategies.
  - Expedia Group, Inc. (EXPE): Expedia is a leading OTA that offers a wide range of travel services. The company is focusing on mobile-first solutions and personalized recommendations to capture the growing demand for digital travel bookings.
- Competitive Landscape: The online travel sector is characterized by intense competition among

# Europe TMT Sector M&A & Valuation Brief - 2025-09-30

## Europe TMT Sector

established players like Booking Holdings and Expedia, as well as emerging startups. The increasing use of AI and data analytics is reshaping the competitive dynamics, with companies striving to offer unique value propositions to attract customers.

- M&A Opportunities: As the online travel market grows, companies may seek to acquire smaller tech firms specializing in AI, data analytics, or mobile solutions to enhance their capabilities. For instance, an acquisition of a startup focused on personalized travel recommendations could provide a competitive edge.

### Data Centers

- Trend Explanation: The data center market is experiencing significant growth due to the increasing demand for cloud services and data storage. However, regulatory changes, such as Finland's proposal to eliminate energy tax breaks for data centers, pose challenges for investors. The market is expected to continue expanding as companies seek to enhance their infrastructure capabilities.
- Key Companies:
  - Amazon Web Services (AWS): AWS is a leading cloud service provider with a substantial investment in data centers globally. The company is focused on expanding its infrastructure to meet the growing demand for cloud services.
  - Google Cloud Platform (GOOGL): Google Cloud is another major player in the data center market, investing heavily in expanding its capabilities to support cloud computing and data storage needs.
- Competitive Landscape: The data center market is highly competitive, with major players like AWS and Google Cloud vying for market share. The landscape is also influenced by emerging technologies such as edge computing and AI, which are reshaping how data centers operate.
- M&A Opportunities: Companies in the data center space may consider acquisitions to enhance their infrastructure capabilities or expand into new markets. For example, private equity firms could explore opportunities to acquire smaller data center operators to capitalize on the growing demand for cloud services.

### Cybersecurity

- Trend Explanation: As the reliance on digital platforms increases, so do the risks associated with data privacy and cybersecurity. The online travel market, in particular, faces significant threats from cyberattacks, making robust cybersecurity measures essential. Companies must invest in advanced security protocols to protect sensitive customer data and maintain trust.
- Key Companies:
  - CrowdStrike Holdings, Inc. (CRWD): CrowdStrike is a leader in endpoint security, providing cloud-delivered solutions to protect against cyber threats. The company is well-positioned to capitalize on the growing demand for cybersecurity solutions across various sectors.
  - Palo Alto Networks, Inc. (PANW): Palo Alto Networks offers a comprehensive suite of cybersecurity solutions, focusing on protecting cloud environments and enterprise networks. The

# Europe TMT Sector M&A & Valuation Brief - 2025-09-30

## Europe TMT Sector

company is actively expanding its offerings to address emerging threats.

- Competitive Landscape: The cybersecurity market is characterized by rapid innovation and competition among established players and startups. Companies are continuously developing new solutions to address evolving threats, creating a dynamic environment for M&A activity.
- M&A Opportunities: The increasing importance of cybersecurity presents opportunities for companies to acquire innovative startups with unique technologies. For instance, a travel agency could consider acquiring a cybersecurity firm to enhance its data protection capabilities.

### ### Actionable Insights for Bankers and Investors

**Investors should focus on companies that are leveraging technology to enhance customer experiences in the online travel sector, as this market is poised for significant growth.**

**Bankers should explore M&A opportunities in the data center and cybersecurity sectors, as regulatory changes and increasing cyber threats create a demand for enhanced infrastructure and security solutions.**

## 6. Recommended Readings

### Deal Name: Electronic Arts Acquisition

- 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 the \$55 billion acquisition of Electronic Arts (EA). It explains how gaming companies leverage intellectual property and user engagement to drive revenue, helping to contextualize the deal's valuation and potential synergies in a rapidly evolving market.

## 7. MACROECONOMIC UPDATE

### Key Data Points:

- Fed Funds Rate: 5.25-5.50%
- Median Stock EPS Growth: +6%
- Inflation Breakevens: Significantly positive correlation with equity returns
- Unemployment Claims: Expected spike in October due to delayed layoffs

# Europe TMT Sector M&A & Valuation Brief - 2025-09-30

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## Main Insights:

- Transition from a rolling recession to a rolling recovery is underway.
- The labor cycle and earnings recession appear to be behind us.
- Positive operating leverage is leading to improved earnings forecasts.
- The Fed's cautious approach to rate cuts may delay full market recovery.

## Market Commentary:

- "We think the labor data is going to get worse... which should prompt the Fed to cut in earnest." - Mike Wilson
- "Inflation accelerating is actually a sign of good pricing power for companies." - Mike Wilson
- "The cyclical defensive ratio is breaking its downtrend, indicating a shift towards an early cycle backdrop." - Andrew Pauker

## TMT Sector Relevance:

- Increased earnings growth in the TMT sector is expected as inflation reaccelerates, benefiting companies with strong pricing power.
- The transition to an early cycle backdrop may enhance investment in technology and media sectors, particularly in AI and consumer services.
- The Fed's cautious rate cuts could impact financing conditions for TMT companies, influencing M&A activity and capital expenditures.

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