

TMT Sector M&A & Valuation Brief - 2025-08-20

Technology, Media & Telecommunications Sector

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1. RECENT TMT M&A ACTIVITY

Deal 1: Figure Technology Solutions IPO

[Another Crypto IPO Hits the Market and Most People Still Have No Idea What Crypto Is](#)

- Deal Size: Estimated at \$3.2 billion based on previous funding rounds.
- Valuation Multiples: Projected P/E ratio of approximately 110x based on net income of \$29.1 million and revenues of \$43.8 million for H1 2025, compared to industry average P/E of around 25x for fintech companies.
- Companies: Figure Technology Solutions: A blockchain-based lender focusing on crypto-backed loans and digital asset exchanges. It has originated \$16 billion in loans, leveraging blockchain for faster underwriting. Apollo Global Management and Ribbit Capital are notable backers, enhancing its credibility.
- Date Announced: IPO filing made in August 2025.
- Strategic Rationale: The IPO represents a significant shift as Figure integrates blockchain technology into mainstream finance, potentially appealing to a broader investor base. The company aims to capitalize on the growing acceptance of cryptocurrencies, positioning itself as a leader in the fintech space by combining traditional lending with innovative blockchain solutions.
- Risk Analysis:
- Integration Risks: Potential challenges in merging traditional finance with blockchain technology could hinder operational efficiency.
- Regulatory Challenges: The evolving regulatory landscape for cryptocurrencies poses a risk to business operations and investor confidence.
- Market Risks: Volatility in the crypto market could impact loan performance and investor sentiment.
- Execution Risks: The company must effectively communicate its value proposition to attract investors unfamiliar with crypto.

Deal 2: None Available

No additional significant M&A deals reported in the past week. The lack of activity may be attributed to market volatility and regulatory uncertainties surrounding the TMT sector, particularly in the context of evolving technologies like AI and blockchain.

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2. MARKET DYNAMICS & SENTIMENT

The TMT (Technology, Media, and Telecommunications) sector is currently experiencing a cautiously optimistic sentiment, driven by strategic acquisitions and ongoing technological advancements. However, the sector also faces challenges, including regulatory scrutiny and economic uncertainties that could impact future growth.

Subsector Breakdown:

- Technology: The technology subsector is buoyed by significant M&A activity, such as Thoma Bravo nearing a deal to acquire HR software company Dayforce (DAY-N). Despite a 27% decline in its stock this year, Dayforce's shares surged 29% upon news of the acquisition, reflecting investor confidence in the strategic fit.
- Media: The media landscape is shifting as companies adapt to digital consumption trends. While traditional media faces challenges, digital platforms are innovating to enhance user engagement and monetization strategies.
- Telecommunications: The telecom sector is focused on infrastructure improvements, particularly in 5G technology. Companies are investing heavily to enhance service delivery and customer experience, which is crucial for maintaining competitive advantages.
- Fintech: The fintech space remains vibrant, with firms like Paycom Software (PAYC) seeing institutional interest, as evidenced by the Maryland State Retirement & Pension System's stake, valued at \$520,000. This reflects ongoing confidence in fintech's growth trajectory.
- AI: AI continues to be a hotbed of investment and innovation, with companies rapidly adopting AI technologies to improve operational efficiencies and customer experiences across various sectors.

Key Market Drivers and Headwinds

Drivers:

- Technological Advancements: Continuous innovation in AI, cloud computing, and cybersecurity is driving growth across TMT sectors. For example, the acquisition of Caesar Creek Software by Enlightenment Capital-backed Cryptic Vector highlights the focus on enhancing cyber operations capabilities.
- Increased Investment: The influx of capital into tech and software companies remains robust, as seen with Bending Spoons raising over EUR500 million in debt led by JPMorgan to acquire more software businesses, indicating strong investor appetite for growth in this area.

Headwinds:

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

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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, leading to cautious sentiment among investors.

Subsector Performance Analysis

- Software: The software sector is experiencing strong performance, driven by demand for cloud-based solutions and enterprise software. The anticipated acquisition of Dayforce by Thoma Bravo is expected to enhance its market position and drive further growth.
- Media: Media companies are adapting to changing consumer preferences, with a notable shift towards digital content consumption. However, traditional media continues to face 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 remains robust, with innovations in payment solutions and digital banking. The interest from institutional investors in companies like Paycom Software underscores the sector's growth potential.
- 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. An analyst noted, "The ongoing consolidation in the software space, exemplified by Thoma Bravo's acquisition strategy, reflects a strong belief in the sector's resilience and growth potential."

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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 dynamic, showcasing a blend of live deals, mandated transactions, and active pitches. This analysis delves into the ongoing activities, expected revenue, and strategic implications for our team.

Deal Pipeline

Live Deals:

- SoftBank's Investment in Intel (INTC) : SoftBank has announced a \$2 billion investment in Intel, purchasing shares at \$23 each. This deal is aimed at bolstering Intel's manufacturing capabilities in Ohio and is expected to close in Q3 2025. The investment is seen as a critical step for Intel to regain its competitive edge in the semiconductor market, which has been challenged by rivals like Nvidia and TSMC.

Mandated Deals:

- Intel's Strategic Restructuring : Intel has secured a mandate to explore partnerships and investments to enhance its semiconductor manufacturing capabilities. This initiative is expected to launch in Q1 2026, focusing on attracting additional investments and partnerships to support its turnaround strategy.

Pitching-Stage Deals:

- Telecom Sector Consolidation : Active discussions are ongoing with major telecom operators,

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including Verizon (VZ) and AT&T (T), regarding potential M&A opportunities in the 5G space. Pitches are expected to finalize by Q3 2025, as companies look to consolidate market share and enhance service offerings.

- AI and Semiconductor Startups : Engaging with various startups in the AI and semiconductor sectors for potential investment banking services. Notable clients include companies focused on AI chip development, with discussions currently underway.

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:

- Q3 2025 : Expected close for SoftBank's investment in Intel.
- Q1 2026 : Launch of Intel's strategic restructuring initiatives.
- Q3 2025 : Finalization of telecom sector M&A pitches.
- Workload Allocation and Capacity Analysis :
 - Current analyst and associate bandwidth is at 80%, indicating 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 semiconductor 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 semiconductor sector, where Intel is striving to regain its market position. The recent investment from SoftBank is viewed as a vote of confidence in Intel's turnaround strategy, which is crucial given the company's recent struggles.
- Additionally, the potential involvement of the U.S. government in Intel's future, as indicated by discussions of a stake in the company, could reshape the competitive dynamics within the semiconductor industry. This development may open new advisory opportunities as companies navigate the evolving regulatory landscape.

Actionable Insights for Team Management and Business Development

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- 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.

4. STAKEHOLDER IMPACT & FORWARD-LOOKING ANALYSIS

The recent developments in the TMT sector, particularly the acquisition of Foxconn's Ohio facility by SoftBank, have significant implications for various stakeholders. This analysis explores the potential impacts on shareholders, employees, competitors, and customers, as well as market reactions and future outlooks.

Deal-Specific Impacts on Stakeholders

- Shareholders: The acquisition of Foxconn's Ohio facility for \$375 million has implications for SoftBank's shareholders.
- Value Creation: By retrofitting the facility to produce AI servers, SoftBank is positioning itself to capitalize on the booming AI infrastructure market, projected to reach \$500 billion. This strategic move could enhance shareholder value significantly, with estimates suggesting a potential revenue increase of 15% over the next three years.
- Dilution: If SoftBank finances the acquisition through equity, existing shareholders may face dilution. For instance, if SoftBank issues new shares amounting to 5% of its market cap, this could lead to a temporary decrease in share price, reflecting investor concerns about dilution.
- Employees: The acquisition will impact employees at the Ohio facility and within SoftBank.
- Synergies: The integration of Foxconn's facility into SoftBank's operations is expected to create synergies, particularly in production efficiency. The facility's large scale and existing infrastructure will facilitate rapid deployment of AI servers.
- Restructuring: While the acquisition may lead to job creation in the long term, there could be short-term restructuring as operations transition to AI production. This may result in temporary job uncertainty for existing employees.
- Retention: To retain key talent during the transition, SoftBank may implement retention bonuses,

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similar to strategies used in past acquisitions.

- Competitors: The competitive landscape will shift as SoftBank enhances its capabilities.
- Market Positioning: The acquisition strengthens SoftBank's position in the AI sector, directly competing with companies like Nvidia (NVDA) and Oracle (ORCL). This move may prompt competitors to accelerate their own investments in AI infrastructure.
- Specific Competitor Moves: In response, Nvidia may increase its partnerships with other manufacturers to bolster its supply chain and maintain market leadership in AI server production.
- Customers: The implications for customers are significant, particularly in the AI and tech sectors.
- Product/Service Implications: The new facility is expected to streamline the production of AI servers, which will enhance SoftBank's ability to meet growing demand from clients like OpenAI and Oracle. This could lead to improved service offerings and faster delivery times.
- Case Studies: Similar to how Amazon (AMZN) improved its cloud services through strategic acquisitions, SoftBank's investment in AI infrastructure could lead to enhanced product offerings for its customers.

Market Reaction and Analyst Commentary

- Market Reaction: The market's initial reaction to the acquisition announcement has been cautiously optimistic.
- Following the news, SoftBank's shares saw a modest increase of 3%, reflecting investor confidence in the strategic direction of the company.
- Analyst Commentary: Analysts have noted that "SoftBank's acquisition is a significant step towards establishing a robust AI infrastructure, positioning the company to capture a larger share of the market."

Expected Market Reaction and Scenario Analysis

- Scenario Analysis: The market's reaction can be assessed through various scenarios:
- Positive Scenario: If the integration is successful and demand for AI servers continues to rise, SoftBank's shares could increase by 20% within a year.
- Negative Scenario: If operational challenges arise during integration, shares could decline by 10%, reflecting investor concerns about execution risks.

Potential Counter-Bids or Competing Offers

- Likelihood Assessment: The likelihood of counter-bids for the Ohio facility is low, given the specialized nature of the asset and SoftBank's strategic vision.
- However, companies like Nvidia could express interest in similar facilities to enhance their production capabilities, although regulatory hurdles may deter immediate competing offers.

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Similar Deals Likely to Follow

- Sector Consolidation Predictions: The TMT sector is expected to see continued consolidation, particularly in AI and cloud computing.
- Analysts predict that as companies seek to enhance their technological capabilities, similar acquisitions will emerge, particularly from firms looking to bolster their AI infrastructure.

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

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) and Cloud Computing. 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)

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- Trend Explanation: AI encompasses technologies that enable machines to perform tasks requiring human intelligence, such as understanding natural language and recognizing patterns. The global AI market is projected to grow from \$93.5 billion in 2021 to \$997.8 billion by 2028, at a CAGR of 40.2%. The recent approval for Nvidia and AMD to sell chips to China highlights the geopolitical dynamics influencing AI development.
- Key Companies:
- NVIDIA Corporation (NVDA): NVIDIA is a leader in AI hardware, providing GPUs essential for AI applications. The company has strategically positioned itself by investing in AI research, particularly in deep learning and autonomous systems. The recent deal allowing sales to China could enhance its revenue streams significantly.
- Advanced Micro Devices, Inc. (AMD): AMD also plays a crucial role in the AI chip market, competing closely with NVIDIA. The company's chips are integral to AI workloads, and the recent regulatory approval to sell to China may open new markets for its products.
- Competitive Landscape: The AI market is characterized by intense competition among major players like Google (GOOGL) and Microsoft (MSFT), which are 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 natural language processing or computer vision. The increasing demand for AI solutions in various sectors presents a ripe opportunity for strategic acquisitions.

Cloud Computing

- Trend Explanation: Cloud computing enables businesses to access computing resources over the internet, promoting flexibility and scalability. The global cloud computing market is projected to grow from \$371 billion in 2020 to \$832 billion by 2025, at a CAGR of 17.5%. The recent investment by Amazon in building data centers in Australia underscores the growing demand for cloud infrastructure.
- Key Companies:
- Amazon Web Services (AWS): AWS is a dominant player in the cloud computing space, providing a wide range of services from data storage to machine learning. The proposed data centers in Australia will enhance AWS's capacity to serve the Asia-Pacific region, tapping into the growing demand for cloud services.
- Microsoft Azure (MSFT): Microsoft Azure is a key competitor to AWS, offering robust cloud solutions. The company continues to expand its global footprint, focusing on hybrid cloud solutions that cater to diverse customer needs.
- Competitive Landscape: The cloud computing market is highly competitive, with major players like Google Cloud and IBM Cloud also vying for market share. The rapid adoption of cloud services across industries is driving companies to innovate and differentiate their offerings.
- M&A Opportunities: The increasing demand for cloud services presents opportunities for M&A, particularly for companies looking to enhance their cloud capabilities. Acquisitions of smaller cloud service providers or technology startups can help larger firms expand their service offerings

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and customer base.

Actionable Insights for Bankers and Investors

- For Bankers: Focus on identifying potential acquisition targets within the AI and cloud computing sectors. Companies with unique technologies or niche applications are likely to attract interest from larger firms seeking to enhance their capabilities.
- For Investors: Monitor the competitive landscape and regulatory developments, particularly in the AI sector, as these factors can significantly impact market dynamics and investment opportunities. Investing in companies with strong positions in AI and cloud computing can yield substantial returns as these markets continue to grow.

6. Recommended Readings

Deal Name: Figure Technology Solutions IPO

- Reading Material: "Blockchain Basics: A Non-Technical Introduction in 25 Steps" by Daniel Drescher
- Why This Matters: This book provides a foundational understanding of blockchain technology, which is crucial for grasping the strategic implications of Figure Technology Solutions' IPO. It explains how blockchain can transform traditional lending practices, thereby contextualizing Figure's approach to integrating crypto-backed loans and its potential impact on the fintech landscape.

7. MACROECONOMIC UPDATE

Key Data Points:

- Global investment in nuclear power projected to exceed **\$2 trillion** by **2050**.
- Global power consumption reached **25 trillion units** last year, expected to grow at **25%** pace over the next five years.
- Nuclear fuels account for **10%** of global power production but **20%** of clean power generation.
- Asia is projected to consume **70%** of globally traded natural gas by **2030**.
- Nuclear power in the U.S. commands a price premium of **\$30-\$50** per megawatt hour above market rates.

Main Insights:

- Nuclear power is transitioning from a controversial option to a key player in energy security and

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decarbonization.

- Asia is becoming a focal point for nuclear capacity growth, with countries like India, Singapore, and Vietnam increasing their focus on nuclear energy.
- Natural gas consumption in Asia is expected to rise at **5% CAGR** from **2024-2030**, driven by demand from major economies.
- The exclusion of nuclear power from sustainable investment portfolios is minimal, particularly in North America and Asia.

Market Commentary:

- "Nuclear power is stepping into the spotlight--not just for decarbonization, but for energy security." - Tim Chan, Morgan Stanley
- "Asia's ability to absorb the global gas glut is not very well appreciated." - Mayank Maheshwari, Morgan Stanley

TMT Sector Relevance:

- The rising demand for reliable energy sources, particularly for data centers and AI applications, positions nuclear power as a critical component of the energy mix.
- Natural gas is seen as a bridge fuel that supports immediate energy needs while longer-term solutions like nuclear and renewables are developed.
- The intersection of nuclear, natural gas, and renewables creates investment opportunities in TMT sectors reliant on stable energy supplies, such as semiconductor production and AI data centers.

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