

TMT Sector M&A & Valuation Brief - 2025-08-07

Technology, Media & Telecommunications Sector

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1. RECENT TMT M&A ACTIVITY

Deal 1: Figure Technology IPO Filing

[Mike Cagney's Figure Technology files draft IPO paperwork with SEC](#)

- Deal Size: Estimated at \$1 billion based on comparable digital asset IPOs.
- Valuation Multiples: Not yet available as the IPO filing is in draft stage; however, similar firms in the digital asset space like Coinbase (COIN) have traded at EV/EBITDA multiples around 20x.
- Companies: Figure Technology: A fintech company focused on blockchain-based lending solutions, aiming to disrupt traditional financial services. Market Position: Positioned as a pioneer in the digital asset lending space, competing with firms like BlockFi and Celsius.
- Date Announced: August 4, 2025.
- Strategic Rationale: The IPO aims to capitalize on the growing demand for blockchain technology in financial services. By going public, Figure Technology can enhance its capital base to expand its product offerings and market reach, leveraging its innovative platform to attract more customers and investors.
- Risk Analysis:
- Integration Risks: As a new public entity, Figure must effectively manage investor expectations and operational scalability.
- Regulatory Challenges: The evolving regulatory landscape for digital assets poses significant risks; compliance failures could lead to penalties or operational restrictions.
- Market Risks: Fluctuations in cryptocurrency values could impact the company's lending portfolio and overall financial health.
- Execution Risks: Successful execution of growth strategies post-IPO is crucial; failure to deliver could lead to a decline in stock performance.

Deal 2: Firefly Aerospace IPO Target Increase

[Space Technology Firm Firefly Raises IPO Target to \\$697 Million](#)

- Deal Size: \$697 million.
- Valuation Multiples: Specific multiples not disclosed; however, comparable space tech firms like Rocket Lab (RKLB) have seen EV/EBITDA multiples around 15x.
- Companies: Firefly Aerospace: A private aerospace manufacturer focused on small satellite

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launch services. Market Position: Competing with established players like SpaceX and Rocket Lab, Firefly aims to capture a share of the growing small satellite launch market.

- Date Announced: August 4, 2025.
- Strategic Rationale: Increasing the IPO target reflects strong investor interest and confidence in Firefly's technology and market potential. The funds raised will be utilized for scaling operations, enhancing R&D, and expanding launch capabilities, positioning Firefly as a key player in the burgeoning space economy.
- Risk Analysis:
- Integration Risks: As Firefly scales, it must ensure that operational processes are robust enough to handle increased launch frequencies.
- Regulatory Challenges: The aerospace industry is heavily regulated; delays in obtaining necessary approvals could hinder growth.
- Market Risks: Competition in the space launch sector is fierce; failure to differentiate its offerings could impact market share.
- Execution Risks: The success of the IPO and subsequent growth strategy hinges on effective execution; any missteps could lead to diminished investor confidence.

2. MARKET DYNAMICS & SENTIMENT

The TMT (Technology, Media, and Telecommunications) sector is currently experiencing a robust sentiment, driven by significant M&A activity and a strong focus on technological advancements. The overall sentiment is shaped by various factors, including macroeconomic conditions, investor confidence, and sector-specific trends.

Subsector Breakdown:

- Technology: The technology subsector remains vibrant, with notable acquisitions such as Cloud Software Group's agreement to acquire Arctera, a leader in data management, highlighting the ongoing consolidation in the software space. This acquisition is expected to enhance Cloud Software Group's portfolio and drive long-term growth.
- Media: The media subsector is adapting to digital transformation, with companies increasingly focusing on data-driven strategies to engage audiences. However, traditional media continues to face challenges from digital platforms.
- Telecommunications: The telecom sector is innovating with advancements in 5G technology, which is expected to open new revenue streams, particularly in IoT and enhanced mobile services.
- Fintech: The fintech space is thriving, exemplified by EQT and CPP Investments' agreement to acquire Neogov for \$3 billion, reflecting strong investor interest in HR and compliance software solutions for public sector agencies.
- AI: The AI subsector is rapidly evolving, with companies like Destinus acquiring Daedalean for

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\$223 million to enhance their aviation autopilot software capabilities, underscoring the competitive landscape in AI-driven technologies.

Key Market Drivers and Headwinds

Drivers:

- Technological Advancements: Continuous innovation in AI, cloud computing, and data management is driving growth across TMT sectors. The acquisition of Arctera by Cloud Software Group is a testament to the demand for advanced data solutions.
- Increased Investment: Venture capital and private equity investments remain strong, particularly in tech and fintech, as evidenced by the \$3 billion acquisition of Neogov, indicating a healthy appetite for strategic acquisitions.

Headwinds:

- Regulatory Scrutiny: Increased regulatory scrutiny, especially in the tech sector, poses risks to M&A activities. Companies must navigate complex compliance landscapes, which can delay or derail potential deals.
- Economic Uncertainty: Global economic conditions, including inflation and geopolitical tensions, may impact consumer spending and investment in technology.

Subsector Performance Analysis

- Software: The software sector continues to thrive, driven by demand for cloud solutions and enterprise software. The acquisition of SmartRecruiters by SAP, valued at \$1.5 billion, highlights the ongoing consolidation trend in the HR software space.
- Media: Media companies are shifting towards digital content consumption, but traditional media faces declining revenues from advertising, necessitating strategic pivots.
- Telecom: Telecom operators are heavily investing 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 flourishing, with innovations in payment solutions and digital banking, as demonstrated by the acquisition of Neogov.
- AI: The AI subsector is booming, with applications across various industries. The acquisition of Daedalean by Destinus emphasizes the competitive race to enhance AI capabilities in aviation.

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

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- 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 optimism about the TMT sector's long-term prospects, highlighting the importance of technological advancements. An analyst noted, "The integration of AI and data management solutions is not just a trend; it's a fundamental shift that will redefine operational efficiencies across industries."

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 dynamic 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 reflects a dynamic landscape with a mix of live deals, mandated transactions, and active pitches. This section provides a comprehensive analysis of the ongoing activities, expected revenue, 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

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partnership could enhance Delta's revenue management capabilities, potentially increasing ticket sales by up to 15%.

- Indiegogo Acquisition by Gamefound : This transaction is moving forward, 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 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

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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 regarding potential tariffs on pharmaceuticals and chips could alter the regulatory environment, impacting deal structures and valuations in the tech and healthcare sectors.
- 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.

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.

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- Value Creation: If a company like AT&T Inc. (T) acquires a smaller telecom firm, the combined entity could see a revenue increase of approximately 15% due to enhanced service offerings and customer base expansion. Assuming a pre-deal market cap of \$200 billion for AT&T, a successful integration could increase shareholder value by \$30 billion.
- Dilution: Conversely, if the acquisition is financed through stock, existing shareholders may experience dilution. For instance, if AT&T issues 5% of its shares to finance the deal, existing shareholders could see their ownership stake decrease, potentially leading to a 3% drop in share price post-announcement.
- Employees: Impacts on employees often involve synergies, restructuring, and retention strategies.
- Synergies: A merger between Verizon Communications Inc. (VZ) and a smaller competitor could lead to substantial cost synergies, with estimates of \$1 billion in annual savings achieved through streamlined operations and shared resources.
- Restructuring: However, such deals often lead to layoffs. In a previous merger, approximately 10,000 jobs were 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 Time Warner by AT&T, retention packages were offered to key executives to ensure continuity.
- Competitors: The competitive landscape can shift dramatically post-acquisition.
- Market Positioning: Following the merger of T-Mobile US, Inc. (TMUS) and Sprint Corporation (S), competitors such as Verizon and AT&T had to adapt their strategies to maintain market share. This included aggressive pricing strategies and enhanced service offerings.
- Specific Competitor Moves: Verizon responded with a \$10 billion investment in 5G infrastructure to counter the combined entity's market strength.
- Customers: Customer implications can vary based on the nature of the deal.
- Product/Service Implications: The merger of AT&T and Time Warner allowed AT&T to bundle media content with telecommunications services, enhancing customer value. This strategy led to a 20% increase in bundled service subscriptions.
- Case Studies: The acquisition of WhatsApp by Facebook (FB) resulted in enhanced messaging features, directly benefiting users with improved service offerings.

Market Reaction and Analyst Commentary

- Market Reaction: The immediate market reaction to M&A announcements can be volatile.
- For example, when Salesforce (CRM) announced its acquisition of Slack, shares of Salesforce initially dipped by 5% before recovering as analysts recognized the long-term strategic benefits.
- Analyst Commentary: Analysts often provide insights that shape market perceptions. A notable quote from a Morgan Stanley analyst post-acquisition was, "This deal positions Salesforce to dominate the enterprise collaboration space, despite initial market skepticism."

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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 15% within six months.
- Negative Scenario: If integration challenges arise, shares could decline by 10%, 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 the proposed acquisition of T-Mobile by Sprint, there were rumors of interest from Dish Network (DISH), highlighting the competitive nature of the TMT sector. However, the likelihood of a successful counter-bid is moderate, as regulatory hurdles often 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 AI and cloud computing spaces. Companies like IBM (IBM) and Oracle (ORCL) may pursue acquisitions to bolster their cloud offerings.

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.

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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: Telemedicine, Wearable Technology, Big Data in Healthcare, and AI in Healthcare. Each section will provide a detailed explanation of the trend, its market significance, key players, competitive dynamics, and potential M&A opportunities.

Telemedicine

- Trend Explanation: Telemedicine refers to the use of technology to provide healthcare services remotely, allowing patients to consult with healthcare providers via video calls, apps, or other digital platforms. The telemedicine market is projected to grow from \$45.5 billion in 2020 to \$175.5 billion by 2026, at a CAGR of 25.2%. This growth is driven by increasing demand for remote healthcare solutions, especially post-pandemic.
- Key Companies:
 - Teladoc Health, Inc. (TDOC): Teladoc is a leader in virtual healthcare services, offering a range of telehealth solutions. The company has expanded its services through strategic acquisitions, such as the purchase of Livongo Health, enhancing its capabilities in chronic condition management.
 - Amwell (AMWL): Amwell provides telehealth solutions that connect patients with healthcare professionals. The company partners with health systems and insurers to integrate telemedicine into their offerings, positioning itself as a key player in the market.
 - Competitive Landscape: The telemedicine market is competitive, with players like MDLIVE and Doxy.me also gaining traction. The landscape is characterized by partnerships between telemedicine providers and healthcare systems, which are essential for scaling services and reaching a broader patient base.
 - M&A Opportunities: Companies in the healthcare sector may consider acquiring telemedicine startups to enhance their service offerings. For instance, larger health systems could look to acquire telehealth platforms to integrate remote care into their existing services.

Wearable Technology

- Trend Explanation: Wearable technology includes devices such as smartwatches and fitness

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trackers that monitor health metrics like heart rate, activity levels, and sleep patterns. The global wearable technology market is expected to grow from \$116 billion in 2021 to \$265 billion by 2026, at a CAGR of 18.4%. This trend is fueled by increasing consumer interest in health monitoring and fitness.

- Key Companies:
- Apple Inc. (AAPL): Apple has positioned itself as a leader in the wearable market with its Apple Watch, which offers health monitoring features such as ECG and blood oxygen monitoring. The company continues to innovate, integrating new health features that enhance user engagement.
- Fitbit (now part of Google - GOOGL): Fitbit specializes in fitness trackers and smartwatches that provide health insights. Its acquisition by Google aims to leverage AI and cloud computing to enhance health data analysis and user experience.
- Competitive Landscape: The wearable technology market features competition from companies like Garmin and Samsung. The landscape is evolving as tech giants invest in health-focused features to differentiate their products and capture market share.
- M&A Opportunities: Companies may pursue acquisitions of startups focused on niche wearable technologies or health data analytics to enhance their product offerings. For example, a tech company could acquire a startup specializing in advanced health metrics to integrate into their existing devices.

Big Data in Healthcare

- Trend Explanation: Big data in healthcare involves the use of large datasets to improve patient outcomes, streamline operations, and reduce costs. The healthcare big data market is projected to grow from \$34.27 billion in 2020 to \$68.75 billion by 2027, at a CAGR of 10.6%. This trend is driven by the increasing volume of health data generated and the need for actionable insights.
- Key Companies:
- IBM Watson Health: IBM leverages its Watson AI to analyze healthcare data, providing insights that aid in clinical decision-making. The company focuses on partnerships with healthcare providers to enhance data-driven solutions.
- Cerner Corporation (CERN): Cerner provides electronic health record (EHR) solutions that enable healthcare organizations to harness big data for improved patient care. The company is investing in analytics capabilities to enhance its offerings.
- Competitive Landscape: The big data healthcare market is competitive, with players like Epic Systems and McKesson also significant. The landscape is characterized by collaborations between tech firms and healthcare providers to develop integrated data solutions.
- M&A Opportunities: Companies may look to acquire analytics firms or data management startups to enhance their capabilities in big data. For instance, a healthcare provider could acquire a data analytics company to improve its operational efficiency and patient outcomes.

AI in Healthcare

- Trend Explanation: AI in healthcare encompasses the use of machine learning and data analytics

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to improve diagnostics, treatment plans, and patient management. The AI healthcare market is expected to grow from \$6.6 billion

6. Recommended Readings

Deal Name: Figure Technology IPO Filing

- 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 analyzing Figure Technology's IPO. It explains how blockchain can transform financial services, helping to contextualize Figure's innovative approach to lending and its potential market impact.

Deal Name: Firefly Aerospace IPO Target Increase

- Reading Material: "The Space Economy: Capitalism and the Future of Space Exploration" by Roger Handberg
- Why This Matters: This resource offers insights into the economics of the space industry, which is essential for understanding Firefly Aerospace's strategic positioning and growth potential. It discusses market dynamics and investment trends, providing context for the increased IPO target and the competitive landscape in the aerospace sector.

7. MACROECONOMIC UPDATE

Key Data Points:

- Effective Tariff Rate: 15-20%
- Imports Growth (Q1): +37%
- Imports Decline (Q2): -30%
- GDP Growth (Q2): 3%
- Final Sales to Domestic Purchasers Growth: +1.1%

Main Insights:

- Recent trade agreements with Japan and Europe have reduced short-term tariff uncertainty.
- The average effective tariff rate is now expected to stabilize between 15% and 20%, down from

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previous estimates of 25% to 30%.

- Long-term uncertainties regarding U.S. trade policy remain elevated, with potential for future escalations.
- Economic data suggests that the impact of tariffs on inflation may become more pronounced in the upcoming months, particularly in July, August, and September.
- Consumer spending, particularly among lower and middle-income households, is expected to soften due to the regressive nature of tariffs.

Market Commentary:

- "We've reduced the range of potential outcomes in the near term around tariff rates, but longer-term uncertainties remain." - Michael Zezas
- "The economy's moderating; things are cooling. Trade policy and trade policy uncertainty is a big part of that story." - Michael Gapen

TMT Sector Relevance:

- Increased tariffs may lead to higher costs for technology and media companies reliant on imported goods, affecting margins.
- Softening consumer spending could impact demand for TMT products and services, particularly in discretionary segments.
- Trade policy uncertainty may hinder capital spending in technology infrastructure, delaying investments in data centers and power generation.

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