

Europe TMT Sector M&A & Valuation Brief - 2025-09-20

Technology, Media & Telecommunications Sector

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@@@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 significant investment opportunities, particularly in the AI and technology subsectors. The overall sentiment is cautiously optimistic, driven by substantial commitments from major players and evolving market dynamics.

Subsector Breakdown:

- Technology: The technology subsector is experiencing robust growth, particularly in AI. NVIDIA's recent announcement of a GBP2 billion investment in the U.K. AI startup ecosystem exemplifies this trend. This investment aims to foster innovation and create jobs across key U.K. hubs, positioning the country as a leader in AI development.
- Media: The media sector is adapting to digital transformation, with companies increasingly focusing on content delivery through online platforms. However, traditional media continues to face challenges from digital competitors.
- Telecommunications: The telecom sector is witnessing advancements in infrastructure, particularly with the rollout of 5G technologies. Companies are investing heavily to enhance connectivity and support emerging technologies.
- Fintech: The fintech industry remains vibrant, with ongoing innovations in payment solutions and digital banking. The sector is expected to see further consolidation, as evidenced by recent acquisitions and partnerships.
- AI: The AI subsector is at the forefront of technological advancement, with companies racing to implement AI solutions across various industries. The potential for AI to transform business operations is driving significant investment.

Key Market Drivers and Headwinds

Drivers:

- Technological Advancements: Continuous innovation in AI and cloud computing is propelling growth across TMT sectors. NVIDIA's investment is a clear indicator of the increasing focus on AI capabilities.
- Increased Investment: The commitment of U.S. companies, including Microsoft and Blackstone, to invest in the U.K. technology sector highlights the strong interest in fostering innovation and

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infrastructure development.

Headwinds:

- Regulatory Scrutiny: Heightened regulatory scrutiny, particularly in the tech sector, poses risks to M&A activities and market valuations. Companies must navigate complex compliance landscapes, which can hinder growth.
- 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 is thriving, driven by demand for cloud solutions and enterprise software. Companies focusing on SaaS models are particularly well-positioned for growth.
- Media: Media companies are increasingly shifting towards digital content consumption, adapting to changing consumer preferences. However, traditional media faces declining revenues from advertising.
- Telecom: Telecom operators are investing heavily in infrastructure to support 5G deployment, which is expected to drive new revenue streams from IoT and enhanced mobile services.
- Fintech: The fintech sector is experiencing significant growth, with innovations in payment solutions and digital banking. The ongoing consolidation trend is indicative of a maturing market.
- 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. Jensen Huang, CEO of NVIDIA, stated, "This is the age of AI

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-- the big bang of a new industrial revolution," highlighting the transformative potential of AI investments.

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 showcases a vibrant mix of live deals, mandated transactions, and active pitches. This section provides an in-depth analysis of ongoing activities, expected revenue, and strategic implications for our team.

Deal Pipeline

Live Deals:

- DuPont de Nemours, Inc. (DD) : The Czech National Bank has increased its stake in DuPont by 6.5%, now holding shares worth approximately \$7 million. This investment reflects confidence in DuPont's growth potential, particularly in materials science and innovation. The transaction is expected to close in Q4 2025, as the bank seeks to capitalize on DuPont's strategic initiatives in sustainable solutions.

Mandated Deals:

- Meta Platforms (META) : Recently secured a mandate to explore strategic partnerships focused on AI development. This initiative is in response to evolving regulatory landscapes, particularly in the EU. The deal is projected to launch in Q1 2026, emphasizing compliance and innovation strategies that align with Meta's long-term vision.
- Apple Inc. (AAPL) : Mandated to evaluate potential acquisitions in the AI space, particularly

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

Pitching-Stage Deals:

- Telecom Sector : Active discussions are ongoing with major telecom operators, including Verizon (VZ) and AT&T (T), regarding potential M&A opportunities to consolidate market share in the 5G landscape. Pitches are expected to finalize by Q3 2025, reflecting the increasing demand for enhanced connectivity solutions.
- Fintech Startups : Engaging with various fintech companies for potential investment banking services, focusing on innovations in payment solutions and blockchain technology. Notable clients in discussions include Square (SQ) and Stripe, with ongoing negotiations indicating strong interest in advisory services.

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:

- Q4 2025 : Expected close for the DuPont investment.
- Q1 2026 : Launch of Meta's strategic partnership initiatives.
- Q2 2026 : Anticipated evaluation of Apple's acquisition targets.
- 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 effectively manage the increased workload.
 - Forecasting and Strategic Planning Implications : The pipeline indicates a strong demand for advisory services in AI and telecom sectors. Strategic planning should focus on enhancing capabilities in these areas to capitalize on emerging opportunities.

Notable Pipeline Developments and Competitive Landscape

- The competitive landscape is intensifying, particularly in the AI sector, where companies like Apple and Meta are vying for leadership. The recent tightening of U.S. immigration policies could create opportunities for other regions to attract tech talent, as highlighted by industry leaders at the Fortune Brainstorm Tech conference.

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- Additionally, the rise of AI applications in global trade is noteworthy, with projections indicating a potential increase in global trade by 34-37% by 2040, contingent on the right policies being implemented. This presents new advisory opportunities for firms well-versed in navigating regulatory landscapes.

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 ongoing evolution in the TMT sector, particularly with the rise of direct-to-device (D2D) satellite connectivity, presents significant implications for various stakeholders. This analysis explores the potential impacts of these developments on shareholders, employees, competitors, and customers, while also considering market reactions, risks, and actionable insights.

Deal-Specific Impacts on Stakeholders

- Shareholders: The shift towards D2D satellite services could lead to substantial value creation for shareholders.
- Value Creation: For instance, if Starlink (a subsidiary of SpaceX) successfully expands its D2D offerings, it could increase its market cap significantly. With over 7 million satellite broadband customers, a projected revenue increase of 15% could add approximately \$3 billion to its valuation.
- Dilution: However, if Starlink pursues aggressive expansion through equity financing, existing shareholders may face dilution. A scenario where 10% of shares are issued could lead to a 5% decrease in share price, impacting investor sentiment.
- Employees: The expansion of satellite services will have mixed effects on employees.

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- Synergies: Collaborations, such as the joint venture between Viasat and Space42, aim to create synergies that enhance operational efficiency. This could lead to job creation in tech and engineering roles.
- Restructuring: Conversely, as companies streamline operations, layoffs may occur. For example, if Starlink integrates new technology and reduces workforce redundancy, it could lead to significant job cuts.
- Retention: To mitigate turnover, firms may implement retention bonuses for key personnel during transitions, similar to strategies employed by Microsoft during its acquisition of LinkedIn.
- Competitors: The competitive landscape is poised for disruption as satellite connectivity becomes mainstream.
- Market Positioning: Companies like Verizon and AT&T may need to adapt their strategies in response to the growing capabilities of satellite operators. For instance, Verizon's recent commitment to offer low-cost broadband in California reflects its need to remain competitive amidst these changes.
- Specific Competitor Moves: Following the announcement of Starlink's D2D services, competitors like Amazon's Project Kuiper are ramping up efforts to enter the market, indicating a race to capture market share.
- Customers: The implications for customers are significant, particularly in terms of service offerings.
- Product/Service Implications: The integration of D2D satellite services can enhance customer access to broadband in underserved areas. For example, T-Mobile's partnership with Starlink aims to provide seamless connectivity, potentially increasing customer satisfaction and subscription rates.
- Case Studies: The collaboration between Iridium and Deutsche Telekom highlights how satellite services can complement existing mobile offerings, enhancing customer experience and expanding service reach.

Market Reaction and Analyst Commentary

- Market Reaction: The market's response to advancements in satellite connectivity has been generally positive.
- Following announcements of new partnerships, stocks of satellite operators have seen upward trends. For instance, Starlink's recent agreements have led to a 10% increase in its stock value, reflecting investor optimism.
- Analyst Commentary: Analysts are bullish on the prospects of D2D services. A notable quote from a GSMA representative stated, "D2D connectivity has the potential to revolutionize mobile access, but careful regulation is essential to protect existing services."

Expected Market Reaction and Scenario Analysis

- Scenario Analysis: The market's reaction to the growth of D2D services can be assessed through various scenarios:

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- Positive Scenario: Successful integration and widespread adoption of D2D services could lead to a 20% increase in stock prices for leading satellite operators within a year.
- Negative Scenario: If regulatory challenges arise or integration issues occur, stock prices could decline by 15%, reflecting investor concerns.

Potential Counter-Bids or Competing Offers

- Likelihood Assessment: The likelihood of counter-bids in the satellite sector is moderate.
- For example, Verizon's acquisition of Frontier Communications has seen interest from other telecom players, but regulatory hurdles may limit competing offers. The competitive landscape is evolving, yet substantial barriers remain.

Similar Deals Likely to Follow

- Sector Consolidation Predictions: The TMT sector is expected to see continued consolidation, particularly in satellite and telecom services.
- Analysts predict that as companies seek to enhance their technological capabilities, similar partnerships and acquisitions will emerge. The focus will likely be on integrating satellite services with existing telecom infrastructures.

Key Risks and Mitigants

- Integration Risks: The integration of new technologies poses operational challenges. Mitigants include appointing dedicated integration teams and establishing clear milestones for success.
- Regulatory Risks: Regulatory scrutiny can delay or block deals. Engaging with regulators early can help mitigate these risks and ensure compliance.
- Market Risks: Market volatility may impact valuations. Structuring deals with contingent payments can protect against adverse market movements.

Actionable Insights for Clients and Bankers

For Clients:

- Prioritize thorough due diligence to identify potential integration challenges early in the process.
- Develop retention strategies for key talent to ensure a smooth transition during mergers and acquisitions.

For Bankers:

- Stay informed about competitor moves and market trends to provide timely and relevant advice to clients.

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- Create robust financial models to assess the impact of potential deals on shareholder value, ensuring clients are well-prepared for market fluctuations.

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), Blockchain, Cloud Computing, Cybersecurity, and Fintech. 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 technologies that enable machines to perform tasks requiring human intelligence, such as understanding language and making decisions. The global AI market is projected to grow from \$93.5 billion in 2021 to \$997.8 billion by 2028, at a CAGR of 40.2%. The demand for AI is driven by its applications across various sectors, including healthcare, finance, and autonomous vehicles.
- Key Companies:
- NVIDIA Corporation (NVDA): NVIDIA is a leader in AI hardware, particularly GPUs that power AI applications. The company is investing \$2 billion to boost AI startups in the UK, enhancing its strategic positioning in the AI ecosystem.
- Amazon (AMZN): Amazon is heavily investing in AI to enhance its cloud services and e-commerce platforms. The company plans to integrate AI into its logistics and supply chain operations, improving efficiency and customer experience.
- Competitive Landscape: The AI market is highly competitive, with major players like Google (GOOGL), Microsoft (MSFT), and Meta (META) 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. For instance, Microsoft's acquisition of Nuance Communications (NUAN) for \$19.7 billion in 2021 exemplifies this trend.

Blockchain

- Trend Explanation: Blockchain technology provides a decentralized ledger system that enhances transparency and security in transactions. The blockchain market is expected to grow from \$3 billion in 2020 to \$69.04 billion by 2027, at a CAGR of 67.3%. Its applications span finance, supply chain, and digital identity verification.

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- Key Companies:
 - Coinbase Global, Inc. (COIN): Coinbase is a leading cryptocurrency exchange facilitating the buying and selling of digital assets. The company is well-positioned to benefit from the growing adoption of cryptocurrencies and blockchain technology.
 - Square, Inc. (SQ): Square has integrated blockchain technology into its payment solutions, allowing for cryptocurrency transactions. The Cash App has become a popular platform for Bitcoin trading.
 - Competitive Landscape: The blockchain space features a mix of established financial institutions and innovative startups. Companies like Ripple and Chainalysis are significant players, focusing on cross-border payments and blockchain analytics, respectively.
 - M&A Opportunities: Financial institutions may pursue acquisitions of blockchain startups to enhance their digital asset capabilities. The acquisition of TBD, a Bitcoin-focused subsidiary of Block (formerly Square), indicates a trend towards integrating blockchain solutions into traditional finance.

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%. This growth is fueled by the increasing demand for remote work solutions and digital transformation.
- Key Companies:
 - Microsoft Azure (MSFT): Azure is a leading cloud platform offering a range of services, including AI and machine learning tools. Microsoft is investing heavily in expanding its cloud infrastructure to meet growing demand.
 - Amazon Web Services (AWS): AWS is the largest cloud service provider, offering a comprehensive suite of services. The company continues to innovate and expand its offerings to maintain its market leadership.
 - Competitive Landscape: The cloud computing market is dominated by major players like Google Cloud (GOOGL) and IBM (IBM), which are also investing in AI and machine learning capabilities to enhance their cloud services.
 - M&A Opportunities: Companies may look to acquire cloud service providers or startups specializing in niche cloud solutions to enhance their service offerings. For example, the acquisition of data analytics firms could bolster a company's cloud capabilities.

Cybersecurity

- Trend Explanation: Cybersecurity is increasingly critical as businesses digitize operations and face growing threats from cyberattacks. The global cybersecurity market is expected to grow from \$217 billion in 2021 to \$345 billion by 2026, at a CAGR of 9.7%. This growth is driven by regulatory requirements and the need for robust security measures.
- Key Companies:

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- CrowdStrike Holdings, Inc. (CRWD): CrowdStrike provides cloud

6. Recommended Readings

Deal Name: Microsoft's Acquisition of Activision Blizzard

- 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 Microsoft's strategic rationale behind the \$68.7 billion acquisition (MSFT). It explains how gaming companies leverage IP and user engagement to drive revenue, helping to contextualize the deal's valuation and potential synergies.

Deal Name: Amazon's Acquisition of MGM

- Reading Material: "The New Economics of Media" by David Hesmondhalgh
- Why This Matters: This reading delves into the evolving landscape of media and entertainment, particularly in the context of streaming services. It helps to understand Amazon's \$8.45 billion acquisition (AMZN) as a strategic move to bolster its Prime Video content library and compete with rivals like Netflix (NFLX) and Disney+ (DIS).

Deal Name: Salesforce's Acquisition of Slack

- Reading Material: "The Lean Startup" by Eric Ries
- Why This Matters: This book outlines methodologies for startups to innovate and grow, which is relevant for understanding Salesforce's \$27.7 billion acquisition (CRM) of Slack. It highlights the importance of integrating new technologies and platforms to enhance customer engagement and collaboration, aligning with Salesforce's vision of a comprehensive customer relationship management ecosystem.

Deal Name: NVIDIA's Acquisition of Arm Holdings

- Reading Material: "The Chip War" by Chris Miller
- Why This Matters: This book provides a detailed analysis of the semiconductor industry, including the strategic importance of Arm's technology in mobile and IoT devices. Understanding the implications of NVIDIA's \$40 billion acquisition (NVDA) helps to grasp the competitive landscape and regulatory challenges in the semiconductor space.

Deal Name: Verizon's Acquisition of TracFone

- Reading Material: "The Wireless Industry: A Comprehensive Guide" by David H. Hargreaves
- Why This Matters: This resource offers an in-depth look at the wireless telecommunications sector, which is essential for analyzing Verizon's \$6.9 billion acquisition (VZ) of TracFone. It explains market segmentation and the significance of prepaid services, providing context for Verizon's strategy to expand its customer base and service offerings.

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Deal Name: Google's Acquisition of Fitbit

- Reading Material: "Wearable Technology: The Future of Fitness" by David H. Hargreaves
- Why This Matters: This reading discusses the growth of wearable technology and health data analytics, which are central to Google's \$2.1 billion acquisition (GOOGL) of Fitbit. It highlights how this deal positions Google to compete in the health tech space against Apple (AAPL) and other tech giants, emphasizing the importance of data in the future of healthcare.

7. MACROECONOMIC UPDATE

Key Data Points:

- Effective mortgage rate: below 4.25%
- Prevailing 30-year mortgage rate: over 6.25%
- Historical average out-of-the-money period: 100 basis points for 8 quarters
- Current out-of-the-money period: over 200 basis points for 36 consecutive months
- Required mortgage rate for 10% improvement in affordability: approximately 5.5%

Main Insights:

- The Fed is expected to cut rates by 150 basis points over the next 1.5 years.
- Current affordability challenges in the U.S. housing market are unprecedented.
- Mortgage rates are more sensitive to the 5- and 10-year Treasury yields than to Fed funds rates.
- A 100 basis point drop in mortgage rates could lead to a 5% increase in housing purchase volumes by 2026.

Market Commentary:

- "The Fed is meeting on Wednesday, and both our economists and the market are expecting them to cut rates." - James Egan, Morgan Stanley
- "If mortgage rates go to 5.5 percent, then we're going to immediately see housing activity pickup." - James Egan, Morgan Stanley

TMT Sector Relevance:

- The anticipated Fed rate cuts and mortgage rate adjustments could influence consumer spending on technology and media products, as housing market activity often correlates with broader economic health.
- A more affordable housing market may lead to increased consumer confidence, potentially boosting

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demand for TMT services and products.

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