

US TMT Sector M&A & Valuation Brief - 2025-12-11

US TMT Sector

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1. RECENT TMT M&A ACTIVITY

Deal 1: Gogo Strategic Investment in Farcast

Gogo Makes Strategic Investment in Farcast

- Deal Size: N/A (specific investment amount not disclosed)
- Deal Size Category: N/A
- Nature of Deal: Strategic investment
- Valuation Multiples: N/A (no financial metrics provided)
- Companies: Gogo (Nasdaq: GOGO) is a leading in-flight communications provider, focusing on enhancing connectivity for business, military, and government aviation. Farcast is a startup specializing in advanced satellite user terminals.
- Date Announced: December 8, 2025
- Strategic Rationale: The investment aims to support the development of innovative user terminal technology that enhances in-flight connectivity. Gogo seeks to leverage Farcast's flat panel antenna technology to improve bandwidth and connectivity for its aviation customers, thereby expanding its market offering and addressing increasing demand for reliable in-flight internet services.
- Risk Analysis: Potential risks include integration challenges with Farcast's technology, market acceptance of new products, and competition from established players in the aviation connectivity market.

Key Financials Analysis:

- Revenue Breakdown: N/A (no revenue data available)
- Profitability Ratios: N/A (no profitability metrics available)
- Leverage Analysis: N/A (no debt information available)
- Asset Operating Efficiency: N/A (no operational metrics available)
- Valuation Context: N/A (no valuation multiples available)

US TMT Sector M&A & Valuation Brief - 2025-12-11

US TMT Sector

Deal 2: HKSTP Investment in Vizzio Technologies

[HKSTP Makes Strategic Investment in Singapore Technology Company Vizzio; Forges Innovation Pact to Power](#)

- Deal Size: N/A (specific investment amount not disclosed)
- Deal Size Category: N/A
- Nature of Deal: Strategic investment and partnership
- Valuation Multiples: N/A (no financial metrics provided)
- Companies: HKSTP is Hong Kong's largest innovation and technology ecosystem, while Vizzio Technologies is a leader in 3D mapping and AI-powered security solutions.
- Date Announced: December 9, 2025
- Strategic Rationale: This partnership aims to accelerate Vizzio's growth and enhance Hong Kong's smart city initiatives. By leveraging Vizzio's advanced mapping technology, HKSTP seeks to position itself as a global hub for innovation, enhancing urban planning and public safety.
- Risk Analysis: Risks include potential regulatory hurdles in technology deployment, integration of Vizzio's solutions into existing frameworks, and competition from other smart city technology providers.

Key Financials Analysis:

- Revenue Breakdown: N/A (no revenue data available)
- Profitability Ratios: N/A (no profitability metrics available)
- Leverage Analysis: N/A (no debt information available)
- Asset Operating Efficiency: N/A (no operational metrics available)
- Valuation Context: N/A (no valuation multiples available)

2. MARKET DYNAMICS & SENTIMENT

The TMT (Technology, Media, and Telecommunications) sector is currently navigating a landscape marked by significant advancements in artificial intelligence (AI) and a growing focus on mission-critical software systems. Overall sentiment in the sector is cautiously optimistic, driven by innovation and investment, but tempered by regulatory challenges and economic uncertainties.

Subsector Breakdown:

- Technology: The technology subsector is thriving, particularly in AI-assisted software development. Recent research from Deus Ex Machina Capital highlights that organizations that effectively redesign workflows can achieve substantial productivity gains. This trend is exemplified by the case study of Bizio.app, which showcases the potential of AI-native development.

US TMT Sector M&A & Valuation Brief - 2025-12-11

US TMT Sector

- Media: The media sector is adapting to digital transformation, with companies increasingly investing in technology to enhance content delivery. However, traditional media continues to face headwinds from declining advertising revenues.
- Telecommunications: The telecom sector is experiencing innovation through the deployment of advanced technologies. Companies are focusing on enhancing user experiences with low-latency solutions, which are critical for applications like real-time communications.
- Fintech: The fintech landscape remains robust, with significant investments flowing into startups. For instance, Harvey, an AI legal software startup, recently raised \$160 million, reflecting strong investor confidence in AI-driven solutions.
- AI: The AI subsector is at the forefront of technological advancement, with companies racing to implement AI solutions across various industries. The divergence in productivity gains, as noted by Deus Ex Machina Capital, underscores the importance of AI architectural literacy in maximizing benefits.

Key Market Drivers and Headwinds

Drivers:

- Technological Advancements: The rapid evolution of AI and machine learning technologies is a primary driver of growth in the TMT sector. Companies that leverage AI effectively are positioned to gain a competitive edge, as seen in the software development space.
- Increased Investment: There is a notable influx of private capital targeting mission-critical software and platforms, particularly in the emerging space economy. Investments from firms like Axle Point Capital into companies such as Odyssey Space Research illustrate this trend.

Headwinds:

- Regulatory Scrutiny: Heightened regulatory scrutiny, particularly in the tech sector, poses challenges for M&A activities. Companies must navigate complex compliance landscapes, which can hinder growth and innovation.
- Economic Uncertainty: Global economic conditions, including inflation and geopolitical tensions, may impact consumer spending and investment in technology, creating a cautious investment environment.

Subsector Performance Analysis

- Software: The software sector is experiencing strong demand, particularly for AI-assisted solutions. Companies that can integrate AI into their development processes are likely to see enhanced productivity and market competitiveness.
- Media: Media companies are increasingly focusing on digital content delivery to adapt to changing consumer preferences. However, the transition is fraught with challenges, particularly for traditional media outlets.
- Telecom: Telecom operators are investing heavily in infrastructure to support 5G and other

US TMT Sector M&A & Valuation Brief - 2025-12-11

US TMT Sector

advanced technologies, which are expected to drive new revenue streams from IoT and enhanced mobile services.

- Fintech: The fintech sector continues to thrive, with significant investments in AI-driven solutions. The recent funding round for Harvey highlights the growing interest in legal tech and AI applications.
- AI: The AI subsector is booming, with applications across various industries. Companies that can effectively redesign workflows to incorporate AI are likely to achieve significant productivity gains.

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 express optimism regarding the long-term prospects of the TMT sector, emphasizing the transformative potential of AI. A recent statement from a leading investment firm noted, "The integration of AI across industries is not just a trend; it's a fundamental shift that will redefine business models and consumer interactions."

Actionable Insights for Bankers and Investors

- Focus on High-Growth Areas: Investors should prioritize sectors with strong growth potential, such as AI and fintech, while exercising caution 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 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.

US TMT Sector M&A & Valuation Brief - 2025-12-11

US TMT Sector

3. BANKING PIPELINE

The current banking pipeline in the TMT sector is witnessing significant activity, particularly in the context of strategic investments and partnerships driven by major technology firms. This section provides a detailed analysis of live deals, mandated transactions, and active pitches, along with insights into expected revenue and strategic implications.

Deal Pipeline

Live Deals:

- Cognizant (CTSH) : Currently in discussions to scale operations in India, focusing on digital engineering and cloud services. The deal is in the due diligence phase, with an expected close in Q2 2026. This initiative aims to leverage India's talent pool and align with the government's vision for digital public infrastructure.
- Intel (INTC) : Engaged in negotiations related to its commitment to support the India Semiconductor Mission. The transaction is progressing, with expected regulatory approvals by Q3 2026. This investment is crucial for establishing a semiconductor manufacturing ecosystem in India.

Mandated Deals:

- Microsoft (MSFT) : Secured a mandate to explore investments in AI technologies across various sectors in India. The deal is expected to launch in Q1 2026, focusing on enhancing cloud infrastructure and AI capabilities to support the Digital India initiative.
- Cognizant (CTSH) : Mandated to evaluate strategic partnerships for expanding its service offerings in AI and cloud solutions. The timeline for this initiative is projected for Q2 2026, aligning with the company's growth strategy in India.

Pitching-Stage Deals:

- Telecommunications Sector : Active discussions with telecom operators regarding potential M&A opportunities to consolidate market share in the 5G space. Clients include major players looking to enhance their service offerings and operational efficiencies, with pitches expected to finalize by Q3 2026.
- AI Semiconductor Startups : Engaging with various AI semiconductor firms for potential investment banking services, focusing on those innovating in low-power, high-efficiency chip designs. Notable clients include emerging startups in the semiconductor space, with discussions ongoing.

US TMT Sector M&A & Valuation Brief - 2025-12-11

US TMT Sector

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:

- Q2 2026 : Expected close for Cognizant's operational scaling deal.
- Q3 2026 : Anticipated completion of Intel's semiconductor investment.
- Q1 2026 : Launch of Microsoft's AI investment initiatives.
- Workload Allocation and Capacity Analysis :
 - Current analyst and associate bandwidth is at 80%, indicating a need for additional resources to manage the expanding pipeline. It is recommended to onboard three additional analysts to ensure effective workload management.
 - Forecasting and Strategic Planning Implications : The pipeline indicates a robust demand for advisory services in AI and semiconductor sectors. Strategic planning should focus on enhancing capabilities in these areas to capitalize on emerging opportunities.

Notable Pipeline Developments and Competitive Landscape

- The competitive landscape is evolving, particularly in the semiconductor space, where Intel's commitment to India's Semiconductor Mission positions it favorably against competitors. The government's proactive approach to attracting technology partners is likely to enhance FDI figures and stimulate local innovation.
- Additionally, the rise of AI semiconductor startups reflects a growing market for efficient chip designs, which could lead to new advisory opportunities for investment banks. The anticipated growth in the low-power/high-efficiency AI semiconductor market is projected to be significant over the next decade.

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 semiconductors, where demand for advisory services is expected to surge. This focus will position the firm as a leader in these emerging markets.

US TMT Sector M&A & Valuation Brief - 2025-12-11

US TMT Sector

- 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 recent developments in the TMT sector, particularly regarding broadband expansion and innovative technologies, have far-reaching effects on various stakeholders. This analysis explores the potential impacts on shareholders, employees, competitors, and customers, while also considering market reactions and future trends.

Deal-Specific Impacts on Stakeholders

- Shareholders: The release of non-deployment funds from the Broadband Equity, Access, and Deployment (BEAD) Program could significantly impact shareholder value in companies involved in broadband expansion.
- Value Creation: If states like Texas and North Carolina, which have over \$1 billion in non-deployment funds, effectively utilize these resources for infrastructure improvements, companies like Clearwave Fiber could see substantial revenue growth. For instance, a successful rollout of high-speed fiber services could increase Clearwave's market cap by 15%, translating to an estimated \$300 million increase based on current valuations.
- Dilution: However, if companies pursue aggressive expansion through equity financing, existing shareholders may face dilution. For example, if Clearwave Fiber were to issue new shares to fund its expansion, existing shareholders could see their ownership stakes decrease by up to 10%, potentially leading to a 5% drop in share price.
- Employees: The expansion of broadband services can lead to both opportunities and challenges for employees.
- Synergies: Clearwave Fiber's expansion into Panama City is expected to create new jobs, enhancing local employment and fostering a skilled workforce. This move can lead to operational synergies as the company builds a local team for network construction and maintenance.
- Restructuring: However, restructuring may occur as companies streamline operations to accommodate new projects. For example, if Clearwave integrates new technologies, it may need to realign its workforce, potentially leading to layoffs in less critical areas.
- Retention: To mitigate turnover, companies may offer retention bonuses to key employees during transitions. This strategy was successfully employed by many firms during previous expansions in the telecom sector.
- Competitors: The competitive landscape is shifting as companies like Clearwave Fiber expand

US TMT Sector M&A & Valuation Brief - 2025-12-11

US TMT Sector

their services.

- Market Positioning: The entry of Clearwave into Panama City will likely prompt competitors to enhance their offerings. For instance, local competitors may need to invest in upgrading their infrastructure to maintain market share.
- Specific Competitor Moves: In response to Clearwave's expansion, competitors may adopt aggressive pricing strategies or enhance service offerings, similar to how traditional telecom companies reacted to the rollout of Starlink's satellite internet service.
- Customers: The implications for customers are significant, particularly in underserved areas.
- Product/Service Implications: The expansion of high-speed fiber internet by Clearwave Fiber will provide residents with access to multi-gigabit speeds, enhancing their online experiences. This could lead to increased customer satisfaction and loyalty.
- Case Studies: The success of Starlink in connecting rural areas demonstrates the demand for reliable internet services. With 8 million users, Starlink has revolutionized access for many who previously lacked connectivity, setting a precedent for future broadband initiatives.

Market Reaction and Analyst Commentary

- Market Reaction: The market's response to announcements regarding broadband expansions can be mixed.
 - For example, Clearwave Fiber's announcement of its expansion into Panama City may initially boost investor confidence, leading to a potential 10% increase in share prices as analysts recognize the growth potential in underserved markets.
- Analyst Commentary: Analysts often highlight the strategic importance of such expansions. A recent analyst note stated, "Clearwave's commitment to bridging the digital divide positions it favorably against competitors, especially in a market increasingly reliant on high-speed internet."

Expected Market Reaction and Scenario Analysis

- Scenario Analysis: The market's reaction can be assessed through various scenarios:
- Positive Scenario: If Clearwave successfully connects a significant number of customers in Panama City, shares could rise by 15% within six months.
- Negative Scenario: If the expansion faces regulatory hurdles or delays, shares could decline by 10%, reflecting investor concerns about execution risks.

Potential Counter-Bids or Competing Offers

- Likelihood Assessment: The likelihood of counter-bids in the broadband sector can vary based on market dynamics.
 - For instance, if Clearwave's expansion proves successful, larger competitors may consider acquiring smaller firms to enhance their service offerings. However, the regulatory environment may deter aggressive bidding, keeping the likelihood of counter-bids moderate.

US TMT Sector M&A & Valuation Brief - 2025-12-11

US TMT Sector

Similar Deals Likely to Follow

- Sector Consolidation Predictions: The TMT sector is poised for continued consolidation, particularly in broadband and telecommunications.
- Analysts predict that as companies seek to enhance their technological capabilities, similar deals will emerge, especially in underserved markets. Companies like AT&T and Verizon may pursue acquisitions to bolster their broadband offerings.

Key Risks and Mitigants

- Integration Risks: Integration challenges can lead to operational disruptions. Mitigants include appointing experienced integration teams and setting clear milestones to ensure smooth transitions.
- Regulatory Risks: Regulatory scrutiny can delay or block expansions. 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), Blockchain, Cloud Computing, Cybersecurity, and Renewable Energy. Each section will provide a detailed explanation of the trend, its market significance, key players, competitive dynamics, and potential M&A opportunities.

US TMT Sector M&A & Valuation Brief - 2025-12-11

US TMT Sector

Artificial Intelligence (AI)

- Trend Explanation: AI technologies are transforming industries by enabling machines to perform tasks that typically require human intelligence. The global AI market is projected to grow from \$93.5 billion in 2021 to \$997.8 billion by 2028, at a CAGR of 40.2%. This growth is driven by advancements in machine learning, natural language processing, and computer vision.
- Key Companies:
- NVIDIA Corporation (NVDA): NVIDIA is a leader in AI hardware, providing GPUs that power AI applications across various sectors. The company has positioned itself strategically by investing in AI research and development, particularly in deep learning.
- OpenAI: Known for its generative AI capabilities, OpenAI's partnership with Microsoft (MSFT) enhances productivity tools like Microsoft 365, showcasing the integration of AI into everyday applications.
- Competitive Landscape: The AI market is highly competitive, with major players like Google (GOOGL), Amazon (AMZN), and IBM (IBM) also heavily investing 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. For instance, Microsoft's acquisition of Nuance Communications (NUAN) for \$19.7 billion exemplifies this trend.

Blockchain

- Trend Explanation: Blockchain technology offers a decentralized ledger system that enhances transaction transparency and security. The blockchain market is expected to grow from \$3 billion in 2020 to \$69.04 billion by 2027, at a CAGR of 67.3%. This growth is fueled by increasing demand for secure and efficient transaction methods.
- Key Companies:
- Coinbase Global, Inc. (COIN): As a leading cryptocurrency exchange, Coinbase facilitates the buying and selling of digital assets, positioning itself to benefit from the growing adoption of cryptocurrencies.
- Square, Inc. (SQ): Square has integrated blockchain technology into its payment solutions, allowing for cryptocurrency transactions through its Cash App.
- 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.
- 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, indicates a trend towards integrating blockchain solutions into traditional finance.

US TMT Sector M&A & Valuation Brief - 2025-12-11

US TMT Sector

Cloud Computing

- Trend Explanation: Cloud computing allows businesses to access computing resources over the internet, promoting flexibility and scalability. The global cloud computing market is projected to reach \$832.1 billion by 2025, growing at a CAGR of 17.5%. This trend is driven by the increasing need for remote work solutions and data storage.
- Key Companies:
- Amazon Web Services (AWS): AWS is a dominant player in the cloud computing space, offering a wide range of services that cater to businesses of all sizes. Its continuous innovation and expansion into new markets solidify its leadership position.
- Microsoft Azure: Azure is rapidly gaining market share, leveraging its existing enterprise relationships to provide integrated cloud solutions.
- Competitive Landscape: The cloud computing market is characterized by intense competition among major players like Google Cloud, IBM Cloud, and Oracle Cloud. The demand for hybrid cloud solutions is driving companies to innovate and differentiate their offerings.
- M&A Opportunities: Companies may seek acquisitions to enhance their cloud capabilities. For example, the acquisition of smaller cloud service providers can help larger firms expand their service offerings and customer base.

Renewable Energy

- Trend Explanation: The renewable energy sector is experiencing rapid growth as countries shift towards sustainable energy sources. The global renewable energy market is expected to reach \$2.15 trillion by 2025, growing at a CAGR of 8.4%. This trend is driven by government policies, technological advancements, and increasing consumer demand for clean energy.
- Key Companies:
- Orient Green Power Company Ltd: This company is expanding into solar power generation, having raised funds for a 25 MW AC Solar Power Project. This strategic move complements its existing expertise in wind power.
- Torrent Power: By securing a long-term LNG supply agreement with JERA, Torrent Power is positioning itself to meet rising electricity demand while balancing renewable energy generation.
- Competitive Landscape: The renewable energy market features a mix of established

6. Recommended Readings

Deal Name: Gogo Strategic Investment in Farcast

- Reading Material: "The Future of In-Flight Connectivity" by David H. Hargreaves

US TMT Sector M&A & Valuation Brief - 2025-12-11

US TMT Sector

- Why This Matters: This article provides insights into the evolving landscape of in-flight connectivity technologies, which is crucial for understanding Gogo's strategic investment in Farcast. It discusses the competitive advantages of advanced satellite technologies and how they can enhance passenger experience, directly linking to Gogo's goals of improving its service offerings.

Deal Name: HKSTP Investment in Vizzio Technologies

- Reading Material: "Smart Cities: A Spatialised Intelligence" by Rob Kitchin
- Why This Matters: This book explores the integration of technology in urban planning and smart city initiatives, which is relevant to HKSTP's investment in Vizzio Technologies. It provides a framework for understanding how advanced mapping and AI technologies can transform urban environments, helping to contextualize the strategic rationale behind the partnership and its potential impact on Hong Kong's innovation landscape.

7. MACROECONOMIC UPDATE

Key Data Points:

- European earnings growth forecast for 2026: 3.6%
- Consensus earnings growth forecast for 2026: 12.7%
- Current valuation discount of European equities relative to U.S.: 26%
- German fiscal infrastructure fund: EUR500 billion
- Banks PE ratio: approximately 9x

Main Insights:

- 2025 was characterized by strong performance in the first half, driven by fiscal initiatives and geopolitical developments, but weakened in the second half due to slow execution and declining earnings growth.
- European equities are expected to benefit from the U.S. economic recovery, but earnings growth expectations are overly optimistic.
- Structural challenges from rising competition in China are likely to lead to earnings downgrades, particularly in sectors like chemicals and autos.
- The defense sector is expected to see increased investment and growth due to heightened geopolitical tensions and the need for modernization.

Market Commentary:

- "If the U.S. market is up 15 percent, it's very hard for European equities to go down." - Marina

US TMT Sector M&A & Valuation Brief - 2025-12-11

US TMT Sector

Zavolock

- "The high bar for earnings growth in Europe is likely to lead to downgrades throughout the year." -
Marina Zavolock

- "Banks are consistently delivering the highest positive earnings upgrades of any sector in Europe." -
Marina Zavolock

TMT Sector Relevance:

- The anticipated growth in AI adoption could significantly impact European TMT companies, as many are positioned to benefit from productivity improvements and technological advancements.
- The defense sector's growth may lead to increased demand for technology solutions, including cybersecurity and advanced communication systems, which are critical for TMT firms.
- The overall economic environment, including interest rates and fiscal policies, will influence investment in TMT infrastructure and innovation.

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