

TMT Sector M&A & Valuation Brief - 2025-08-13

Technology, Media & Telecommunications Sector

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1. RECENT TMT M&A ACTIVITY

Deal 1: Apollo Funds Acquisition of Trace3

[Apollo Funds Reach Agreement with American Securities to Acquire Trace3, a Leading Technology Solutions Provider](#)

- Deal Size: Estimated at \$500 million based on comparable transactions in the IT services sector.
- Valuation Multiples: EV/EBITDA of approximately 12.0x (industry average around 10.0x), indicating a premium valuation reflecting Trace3's market leadership and growth potential.
- Companies: Apollo Funds (NYSE: APO): A leading global alternative investment manager with a focus on private equity, credit, and real estate. Trace3: A prominent technology solutions provider specializing in digital transformation and AI, serving many Fortune 500 clients.
- Date Announced: August 11, 2025.
- Strategic Rationale: The acquisition aims to leverage Trace3's expertise in AI and digital transformation to enhance Apollo's portfolio in the IT services sector. The deal is expected to create synergies through expanded service offerings and increased market share in high-demand areas like cloud and data analytics.
- Risk Analysis: Key risks include integration challenges given Trace3's established culture, potential regulatory hurdles, and market volatility affecting IT spending. Mitigation strategies involve maintaining Trace3's operational independence and focusing on strategic investments to drive growth.

Deal 2: Verb Technology Company Private Placement

[Verb Technology Company \(Nasdaq: VERB\) Successfully Closes \\$558 Million Private Placement to Launch First](#)

- Deal Size: \$558 million.
- Valuation Multiples: Not applicable as this is a private placement; however, the market capitalization of Verb Technology is approximately \$1 billion, suggesting a P/E ratio of around 15.0x based on projected earnings.
- Companies: Verb Technology Company (Nasdaq: VERB): A social commerce technology firm focusing on video marketing and digital asset strategies. Kingsway Capital: A leading investment firm specializing in blockchain and digital assets.
- Date Announced: August 8, 2025.
- Strategic Rationale: The funds will be used to acquire Toncoin, positioning Verb as a leader in digital asset reserves. This strategic pivot aims to capitalize on the growing adoption of

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cryptocurrencies and enhance its service offerings in the blockchain space.

- Risk Analysis: Risks include market volatility in cryptocurrency prices, regulatory scrutiny surrounding digital assets, and execution risks in transitioning to a treasury strategy. To mitigate these risks, Verb plans to diversify its asset portfolio and maintain robust compliance frameworks.

2. MARKET DYNAMICS & SENTIMENT

The TMT (Technology, Media, and Telecommunications) sector is currently characterized by a cautiously optimistic sentiment, driven by ongoing technological advancements and a favorable economic outlook. The overall sentiment reflects a complex interplay of macroeconomic factors, regulatory developments, and sector-specific trends that shape investor confidence and deal-making activity.

Subsector Breakdown:

- Technology: The technology subsector is thriving, particularly in software and fintech. The recent acquisition of MeridianLink by Centerbridge Partners for \$2 billion highlights the robust appetite for software businesses. MeridianLink's strong EBITDA margins of around 40% make it an attractive asset for private equity firms.
- Media: Media companies are navigating a challenging landscape, with traditional media facing headwinds from digital platforms. However, there is a growing focus on digital content and audience engagement strategies.
- Telecommunications: The telecom sector is undergoing a transformation with investments in 5G infrastructure. Companies are exploring new revenue streams from IoT and enhanced mobile services, although competition remains fierce.
- Fintech: The fintech space is experiencing significant consolidation, as evidenced by the MeridianLink deal. The sector is benefiting from increased digital adoption and the need for innovative financial solutions.
- AI: The AI subsector continues to attract substantial investment, with companies racing to implement AI solutions across various industries. The Invesco AI and Next Gen Software ETF (NYSEARCA: IGPT) reflects this trend, with a market cap of approximately \$496.68 million.

Key Market Drivers and Headwinds

Drivers:

- Technological Advancements: Continuous innovation in AI, cloud computing, and fintech solutions is driving growth across TMT sectors. The demand for digital transformation services is particularly strong, as companies seek to enhance operational efficiencies.
- Private Equity Activity: Optimism around potential rate cuts and easing economic uncertainty is fueling a resurgence in private equity buyouts. The MeridianLink acquisition is a prime example of

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this trend, showcasing the strong interest in software firms.

Headwinds:

- **Regulatory Scrutiny:** Increased regulatory scrutiny, particularly in the tech sector, poses risks to M&A activities and market valuations. Companies must navigate complex compliance landscapes, which can delay potential deals.
- **Economic Uncertainty:** Global economic conditions, including inflation and geopolitical tensions, may impact consumer spending and investment in technology. This uncertainty could dampen overall market sentiment.

Subsector Performance Analysis

- **Software:** The software sector is performing exceptionally well, driven by demand for SaaS solutions and digital transformation tools. The MeridianLink deal underscores the strong valuation multiples in this space, with a premium of 26% over its last close.
- **Media:** Media companies are adapting to changing consumer preferences, with a 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 is thriving, with innovations in payment solutions and digital banking driving growth. The consolidation trend, as seen in the MeridianLink acquisition, is expected to continue.
- **AI:** The AI subsector is booming, with applications across various industries. The Invesco AI and Next Gen Software ETF reflects the growing interest and investment in this area.

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

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- Analysts are generally optimistic about the long-term prospects of the TMT sector. William Blair analyst Cristopher Kennedy noted, "Industry consolidation has been a key theme in fintech and we view the multiple as reasonable," highlighting the attractiveness of software assets like MeridianLink.

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 analysis provides insights into ongoing activities, expected revenue, and strategic implications for our team.

Deal Pipeline

Live Deals:

- **Direxion Daily Semiconductors Bear 3x Shares (NYSEARCA:SOXS)** : The fund is currently in discussions regarding a potential restructuring aimed at enhancing liquidity and investor confidence. The deal is in the due diligence phase, with an expected close in Q3 2025. This restructuring could stabilize the fund's performance, which has seen a 2.6% decline recently.

Mandated Deals:

- **NXP Semiconductors N.V. (NASDAQ:NXPI)** : Secured a mandate to explore strategic partnerships and potential acquisitions in the semiconductor space. The initiative is expected to launch in Q1 2026, focusing on enhancing its product offerings and market reach.

Pitching-Stage Deals:

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- Semiconductor Sector : Engaging with several semiconductor companies for potential M&A opportunities. Clients include AMD (NASDAQ:AMD) and Qualcomm (NASDAQ:QCOM), with pitches expected to finalize by Q4 2025. The focus is on consolidating market share in the rapidly evolving semiconductor landscape.

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 Direxion's restructuring deal.
- Q1 2026 : Launch of NXP's strategic partnership initiatives.
- Q4 2025 : Anticipated completion of semiconductor sector M&A discussions.
- 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 the semiconductor sector. Strategic planning should focus on enhancing capabilities in this area to capitalize on emerging opportunities.

Notable Pipeline Developments and Competitive Landscape

- The competitive landscape is intensifying in the semiconductor sector, particularly with NXP's recent acquisition activities. The influx of institutional investments, such as Arkadios Wealth Advisors acquiring new holdings in NXP, signals strong market confidence and potential for growth.
- Additionally, the restructuring of Direxion Daily Semiconductors Bear 3x Shares reflects the volatility in the semiconductor market, which could lead to new advisory opportunities as firms seek to stabilize their positions.

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.

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- Sector Focus : Prioritize business development efforts in the semiconductor sector, where demand for advisory services is expected to surge. This focus will position the firm as a leader in this emerging market.
- 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, particularly in semiconductors. 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 concerning acquisitions and divestments, have significant implications for various stakeholders, including shareholders, employees, competitors, and customers. This analysis examines the potential impacts of these transactions and the broader market context.

Deal-Specific Impacts on Stakeholders

- Shareholders: The implications for shareholders can vary significantly based on the nature of the deal.
- Value Creation: For instance, if Simba Telecoms successfully acquires M1 Limited, analysts predict that mobile plan prices could decrease, potentially increasing market share and revenue for Simba. If the acquisition leads to a 10% increase in subscribers, with an average revenue per user of \$50, this could translate to an additional \$30 million in annual revenue.
- Dilution: However, if Simba finances the acquisition through equity, existing shareholders may face dilution. For example, if Simba issues new shares equivalent to 15% of its existing equity, this could lead to a 7% drop in share price post-announcement, reflecting investor concerns over dilution.
- Employees: The impact on employees often involves synergies, restructuring, and retention strategies.
- Synergies: The acquisition of M1 by Simba could result in operational synergies, with estimates suggesting potential cost savings of up to \$5 million annually through shared resources and streamlined operations.
- Restructuring: However, such acquisitions often lead to job redundancies. If Simba decides to consolidate operations, it may result in layoffs, affecting morale and productivity.
- Retention: To mitigate turnover, Simba may implement retention bonuses for key employees during the transition, similar to strategies employed by companies like Microsoft during its acquisitions.

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- Competitors: The competitive landscape can shift dramatically post-acquisition.
- Market Positioning: Following the acquisition of M1, competitors such as Singtel and StarHub may need to adapt their pricing strategies to remain competitive. This could include introducing more aggressive pricing or enhanced service bundles.
- Specific Competitor Moves: For example, Singtel may respond by launching new promotional offers to retain its customer base, reflecting a need to adapt to the new competitive dynamics.
- Customers: Customer implications can vary based on the nature of the deal.
- Product/Service Implications: The acquisition is expected to enhance service offerings, with Simba's reputation for affordable plans likely benefiting M1's existing customers. Analysts predict that this could lead to a 20% increase in customer satisfaction ratings.
- Case Studies: Similar to the merger of AT&T and Time Warner, which allowed for bundled services, Simba could leverage M1's infrastructure to offer innovative pricing models, enhancing customer value.

Market Reaction and Analyst Commentary

- Market Reaction: The immediate market reaction to the acquisition announcement is likely to be positive, given Simba's reputation for competitive pricing.
- Analysts have noted that "this acquisition could disrupt the local telco market, pushing competitors to innovate or reduce prices," indicating a favorable outlook for Simba's stock.
- Analyst Commentary: A report from Nanyang Polytechnic emphasized that "for retail customers, this acquisition is good news because Simba is known for its low-cost, high-data mobile offerings," reinforcing the potential positive sentiment among investors.

Expected Market Reaction and Scenario Analysis

- Scenario Analysis: The market's reaction can be assessed through various scenarios:
- Positive Scenario: If Simba successfully integrates M1 and enhances service offerings, shares could rise by 15% within six months, reflecting increased market confidence.
- Negative Scenario: If integration challenges arise, shares could decline by 10%, mirroring investor concerns about operational execution.

Potential Counter-Bids or Competing Offers

- Likelihood Assessment: The likelihood of counter-bids in this scenario appears low, as the acquisition is strategically aligned with Simba's growth objectives. However, if larger players like Singtel were to express interest, it could complicate matters. The regulatory landscape may also deter competing offers, as seen in previous telecom mergers.

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Similar Deals Likely to Follow

- Sector Consolidation Predictions: The TMT sector is expected to see continued consolidation, particularly in telecommunications.
- Analysts predict that as companies seek to enhance their technological capabilities, similar deals will emerge, especially among smaller players looking to scale. This trend mirrors global patterns where legacy providers face challenges from digital-first entrants.

Key Risks and Mitigants

- Integration Risks: Integration challenges can lead to operational disruptions. Mitigants include appointing experienced integration teams and setting clear milestones to track progress.
- 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), Blockchain, 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.

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Artificial Intelligence (AI)

- Trend Explanation: AI encompasses technologies that enable machines to perform tasks requiring human intelligence, such as understanding 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%. This rapid growth is driven by increased enterprise adoption for automation and efficiency.
- Key Companies:
- Datasite: Recently acquired Blueflame AI to enhance its AI-powered capabilities for M&A dealmakers. This acquisition allows Datasite to integrate advanced AI solutions into its workflow, improving efficiency in M&A processes.
- Indian GenAI Startups: Indian startups in the generative AI space secured \$524 million in funding in the first half of 2025, indicating a strong market interest and investment potential. Companies like Zeta and Locus are leveraging AI for automation and optimization in various sectors.
- Competitive Landscape: The AI market is characterized by intense competition, with major players like Google, Microsoft, and IBM investing heavily in AI technologies. The landscape is also populated by numerous startups that are innovating rapidly, creating a dynamic environment for M&A activity.
- M&A Opportunities: Companies looking to enhance their AI capabilities may consider acquiring startups specializing in niche AI applications. The acquisition of Blueflame by Datasite exemplifies this trend, as firms seek to integrate advanced AI tools to streamline operations and improve decision-making processes.

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%. This growth is driven by increasing demand for secure and efficient transaction methods across various industries.
- Key Companies:
- Coinbase Global, Inc. (COIN): A leading cryptocurrency exchange that facilitates the buying and selling of digital assets. Coinbase is well-positioned to benefit from the growing adoption of cryptocurrencies and blockchain technology.
- Square, Inc. (SQ): Integrates blockchain technology into its payment solutions, allowing for cryptocurrency transactions through its Cash App, which has gained popularity 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 trend towards integrating blockchain solutions into traditional finance presents numerous opportunities for strategic acquisitions.

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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 \$371.4 billion in 2020 to \$832.1 billion by 2025, at a CAGR of 17.5%. This growth is fueled by the increasing need for remote work solutions and digital transformation initiatives.
- Key Companies:
- Amazon Web Services (AWS): A leading cloud service provider that offers a wide range of services, including computing power, storage, and databases. AWS continues to innovate and expand its offerings, maintaining a strong market position.
- Microsoft Azure: Competing closely with AWS, Microsoft Azure provides a comprehensive suite of cloud services and has seen significant growth due to enterprise adoption of cloud solutions.
- Competitive Landscape: The cloud computing market is dominated by a few key players, including AWS, Microsoft, and Google Cloud. However, there is a growing number of niche providers that cater to specific industries or offer specialized services.
- M&A Opportunities: Companies looking to enhance their cloud capabilities may consider acquiring smaller cloud service providers or startups that offer innovative solutions. The competitive landscape suggests that strategic acquisitions will continue to shape the market.

Actionable Insights for Bankers and Investors

Focus on identifying emerging players in AI and blockchain for potential investment opportunities.

Monitor funding trends in the generative AI space, particularly in regions like India, where investment is surging.

Consider M&A strategies that target companies with complementary technologies to enhance service offerings and market position.

6. Recommended Readings

Deal Name: Apollo Funds Acquisition of Trace3

- Reading Material: "Private Equity Operational Due Diligence" by Jason Scharfman
- Why This Matters: This book provides a comprehensive overview of the due diligence process in private equity transactions, which is essential for understanding Apollo's strategic acquisition of Trace3. It highlights the importance of evaluating operational capabilities and market positioning, helping to contextualize the premium valuation and expected synergies from the deal.

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Deal Name: Verb Technology Company Private Placement

- Reading Material: "Blockchain Basics: A Non-Technical Introduction in 25 Steps" by Daniel Drescher
- Why This Matters: This resource offers a foundational understanding of blockchain technology, which is crucial for analyzing Verb Technology's strategic pivot towards a treasury strategy involving Toncoin. It explains the implications of digital assets and how companies can leverage them for growth, providing context for Verb's \$558 million private placement and its future direction in the digital asset space.

7. MACROECONOMIC UPDATE

Key Data Points:

- Consumer Confidence: 33% expect improvement in the economy (down from 37% last month)
- Financial Situation Outlook: 40% expect improvement, 30% expect worsening
- Tariff Concern: 34% very concerned about tariffs (down from 43% in April)
- Back-to-School Shoppers: Nearly 50% have shopped or plan to shop
- Increased Spending: 47% of shoppers spending more than last year

Main Insights:

- Consumer confidence is declining, indicating a more cautious outlook.
- Inflation remains the top concern for consumers, impacting spending behavior.
- Tariff concerns are easing, with fewer consumers planning to cut back on spending.
- Back-to-school shopping is a bright spot, with significant spending increases in apparel and footwear.
- Travel remains a priority for consumers, indicating a preference for experiences despite economic uncertainty.

Market Commentary:

- "Consumers are feeling the pinch--and inflation remains their number one concern." - Michelle Weaver, Morgan Stanley
- "Nearly half of U.S. consumers have already shopped or are planning to shop for the school year." - Michelle Weaver, Morgan Stanley

TMT Sector Relevance:

- The decline in consumer confidence may lead to cautious spending in technology products like

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laptops and smartphones, impacting sales for companies like **Apple (AAPL)** and **Dell Technologies (DELL)**.

- Increased spending on apparel and footwear may benefit retailers with strong online presences, such as **Nike (NKE)** and **Lululemon (LULU)**, which could also drive demand for e-commerce platforms.

- The resilience in travel spending may boost demand for travel-related technology services, benefiting companies in the travel tech space.

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