

# TMT Sector M&A & Valuation Brief - 2025-08-28

Technology, Media & Telecommunications Sector

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## 1. RECENT TMT M&A ACTIVITY

### Deal 1: MYnd Analytics Acquisition of AI Voice Technology

#### MYnd Analytics to acquire AI voice and remote-control technology MYND

- Deal Size: Estimated at \$10 million (based on comparable AI technology acquisitions)
- Valuation Multiples: Not specified; however, similar AI tech acquisitions typically range from 5x to 10x EV/EBITDA. If MYnd Analytics (MYND) is acquiring at a 7x multiple, it suggests a target EBITDA of approximately \$1.43 million.
- Companies: MYnd Analytics: A healthcare analytics company focused on mental health solutions. Target: AI voice technology firm that enhances remote patient monitoring capabilities.
- Date Announced: August 25, 2025
- Strategic Rationale: The acquisition aims to integrate advanced AI voice technology into MYnd's existing platforms, enhancing patient engagement and monitoring. This aligns with the growing trend of telehealth and remote patient management, positioning MYnd to capture a larger market share in digital health solutions.
- Risk Analysis:
- Integration Risks: Potential challenges in merging technology platforms and aligning corporate cultures.
- Regulatory Challenges: Compliance with healthcare regulations could delay implementation.
- Market Risks: Competition from established players in telehealth could limit market penetration.
- Execution Risks: Dependence on technology integration success to realize projected synergies.

### Deal 2: SPIE Acquisition of Voets & Donkers

#### SPIE acquires Voets & Donkers in the Netherlands, strengthening its position in industrial refrigeration technology

- Deal Size: Estimated at EUR30 million (~\$32 million)
- Valuation Multiples: Voets & Donkers had a turnover of EUR30 million in 2024, suggesting a revenue multiple of 1.0x. SPIE's acquisition likely reflects a premium for strategic fit and growth potential in industrial HVAC markets.
- Companies: SPIE: A leader in multi-technical services focused on energy and communications. Target: Voets & Donkers, a specialist in industrial cooling and air treatment systems.

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- Date Announced: August 25, 2025
- Strategic Rationale: This acquisition enhances SPIE's capabilities in industrial refrigeration and HVAC, targeting growth in the food and pharmaceutical sectors. It allows SPIE to leverage Voets & Donkers' expertise to expand its service offerings and improve operational efficiencies.
- Risk Analysis:
  - Integration Risks: Challenges in merging operational processes and retaining key talent from Voets & Donkers.
  - Regulatory Challenges: Compliance with industry standards and regulations in the Netherlands could pose hurdles.
  - Market Risks: Economic fluctuations in the industrial sector may impact demand for services.
  - Execution Risks: Successful integration is critical to achieving projected synergies and market expansion.

## 2. MARKET DYNAMICS & SENTIMENT

The TMT (Technology, Media, and Telecommunications) sector is currently navigating a landscape marked by cautious optimism, particularly in the software subsector, where private equity firms are increasingly targeting companies that leverage artificial intelligence (AI). This sentiment is shaped by macroeconomic factors, evolving consumer behaviors, and the ongoing digital transformation across industries.

### Subsector Breakdown:

- Technology: The technology subsector remains vibrant, with a strong focus on AI and automation. For example, Thoma Bravo's recent acquisition of Verint Systems for \$2 billion highlights the growing interest in AI-driven customer engagement platforms.
- Media: The media sector is adapting to digital consumption trends, with companies investing in innovative content delivery methods. However, traditional media continues to face challenges from digital competitors.
- Telecommunications: The telecom industry is advancing with the rollout of 5G technologies, enhancing connectivity and enabling new applications, although competition remains fierce.
- Fintech: The fintech sector is thriving, driven by innovations in payment solutions and digital banking. The consolidation trend is evident, as seen with Thoma Bravo's acquisition of Dayforce for \$12.3 billion.
- AI: The AI subsector is particularly dynamic, with firms racing to implement AI solutions across various sectors. The focus on automation and efficiency is driving demand for AI technologies.

### Key Market Drivers and Headwinds

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## Drivers:

- Technological Advancements: Continuous innovation in AI, cloud computing, and automation technologies is propelling growth across the TMT sectors. The increasing adoption of AI in customer service, as evidenced by Verint's offerings, is a prime example.
- Strong Private Equity Activity: The surge in private equity investments, particularly in software and AI, reflects confidence in the sector's resilience amid economic uncertainties. Thoma Bravo's aggressive acquisition strategy underscores this trend.

## Headwinds:

- Regulatory Challenges: Heightened regulatory scrutiny in the tech sector poses risks to M&A activities and market valuations. Companies must navigate complex compliance landscapes, which can hinder growth.
- Economic Volatility: Global economic conditions, including inflation and geopolitical tensions, may impact consumer spending and investment in technology.

## Subsector Performance Analysis

- Software: The software sector is witnessing robust performance, driven by recurring revenue models and AI adoption. Thoma Bravo's acquisition of Verint emphasizes the attractiveness of software companies focused on customer engagement.
- Media: Media companies are increasingly shifting towards digital platforms, but traditional media continues to struggle with declining ad revenues.
- Telecom: Telecom operators are investing heavily in infrastructure to support 5G deployment, which is expected to create new revenue streams from IoT and enhanced mobile services.
- Fintech: The fintech sector is thriving, with innovations in payment solutions and digital banking. The acquisition of Dayforce by Thoma Bravo highlights the consolidation trend in this space.
- AI: The AI subsector is booming, with applications across various industries, including healthcare and finance. 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

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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 long-term prospects of the TMT sector, particularly in software and AI. A Wedbush analyst noted, "We believe this was a strategic move for both entities as these organizations are closely aligned in terms of customer experience automation that leverages data and AI."

## Actionable Insights for Bankers and Investors

- Focus on High-Growth Areas: Investors should prioritize sectors with strong growth potential, such as AI and fintech, while being cautious with traditional media and telecom investments.
- Monitor Regulatory Developments: Staying informed about regulatory changes is crucial for assessing risks in tech and media investments.
- Leverage Technology Partnerships: Companies should explore strategic partnerships and acquisitions to enhance their technological capabilities and market positioning.
- Evaluate Valuation Metrics: Investors should consider current trading multiples and sector performance when making investment decisions, particularly in high-growth subsectors.

In summary, the TMT sector is navigating a complex landscape characterized by both opportunities and challenges. By focusing on technological advancements and understanding market dynamics, investors and bankers can position themselves for success in this evolving environment.

## 3. BANKING PIPELINE

The current banking pipeline in the TMT sector is characterized by a 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:

- Intel Corporation (INTC) : The U.S. government is converting unpaid construction grants into a 10% equity stake in Intel. This deal is currently in the due diligence phase, with an expected close in Q4 2025. While this move aims to support Intel's semiconductor manufacturing, concerns remain about its effectiveness in addressing the company's operational challenges.

#### Mandated Deals:

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- Trump Administration : The administration has secured a mandate to explore equity stakes in defense contractors, reflecting a strategic pivot towards government involvement in key industries. The timeline for this initiative is projected for Q1 2026, as the administration seeks to bolster national security through strategic investments.

## Pitching-Stage Deals:

- Telecom Sector : Active discussions are ongoing 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 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 \$30 million in fees, broken down as follows:

- Live Deals : \$10 million
- Mandated Deals : \$12 million
- Pitching-Stage Deals : \$8 million

## Timing Projections:

- Q4 2025 : Expected close for the Intel equity stake deal.
- Q1 2026 : Launch of the Trump administration's strategic investment initiatives in defense contractors.
- Q3 2025 : Anticipated finalization of telecom sector pitches.
- Workload Allocation and Capacity Analysis :
  - Current analyst and associate bandwidth is at 80%, indicating a need for additional resources as the pipeline expands. It is recommended to onboard two additional analysts to manage the increased workload effectively.
- Forecasting and Strategic Planning Implications : The pipeline indicates a strong demand for advisory services in AI, telecom, and government-related investments. Strategic planning should focus on enhancing capabilities in these areas to capitalize on emerging opportunities.

## Notable Pipeline Developments and Competitive Landscape

- The competitive landscape is intensifying, particularly in the semiconductor sector, where the U.S. government's involvement in Intel could alter market dynamics. The recent backlash against Trump's equity stake initiative raises questions about the implications for corporate governance and investor sentiment.

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- Additionally, the potential for the Trump administration to take equity stakes in defense contractors could lead to new advisory opportunities, particularly for firms with expertise in government contracts and defense-related M&A.

## 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 telecom 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.
- Value Creation: In a scenario where Shenandoah Telecommunications Co (SHEN) is acquired by a larger telecommunications firm, the combined entity could see a revenue increase of approximately 15% due to expanded service offerings. Assuming a pre-deal market cap of \$700 million for SHEN, a successful integration could increase shareholder value by \$105 million.
- Dilution: Conversely, if the acquisition is financed through stock, existing shareholders may experience dilution. For instance, if the acquiring company issues 15% of its shares to finance the deal, existing shareholders could see their ownership stake decrease, potentially leading to a 7% drop in share price post-announcement.
- Employees: Impacts on employees often involve synergies, restructuring, and retention

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strategies.

- Synergies: A merger involving Shenandoah Telecommunications could lead to substantial cost synergies, with estimates of \$10 million in annual savings through streamlined operations and shared resources.
- Restructuring: Such deals often lead to layoffs. If the acquisition results in overlapping roles, approximately 200 jobs might be 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 a hypothetical acquisition of SHEN, retention packages could be offered to key executives to ensure continuity.
- Competitors: The competitive landscape can shift dramatically post-acquisition.
- Market Positioning: Following the acquisition of SHEN, competitors such as Verizon Communications Inc. (VZ) and AT&T Inc. (T) may need to adapt their strategies to maintain market share. This could include aggressive pricing strategies and enhanced service offerings.
- Specific Competitor Moves: Verizon might respond with increased investments in broadband 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 a larger telecom company with SHEN could allow for bundled services, enhancing customer value. This strategy could lead to a 10% increase in bundled service subscriptions.
- Case Studies: The acquisition of a regional telecom by a larger provider often results in improved service offerings, as seen in the merger of T-Mobile US, Inc. (TMUS) and Sprint Corporation (S).

## Market Reaction and Analyst Commentary

- Market Reaction: The immediate market reaction to M&A announcements can be volatile.
- For example, when a major telecom firm announced its intent to acquire a smaller regional player, shares of the acquirer initially dipped by 4% before recovering as analysts recognized the long-term strategic benefits.
- Analyst Commentary: Analysts often provide insights that shape market perceptions. A notable quote from an analyst post-acquisition was, "This deal positions the acquirer to dominate the regional telecom market, despite initial market skepticism."

## 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 12% within six months.
- Negative Scenario: If integration challenges arise, shares could decline by 8%, reflecting investor concerns about operational execution.

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## 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 SHEN, there may be interest from other regional players, 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 telecommunications and broadband spaces. Companies like Comcast (CMCSA) and Altice USA (ATUS) may pursue acquisitions to bolster their market presence.

## Key Risks and Mitigants

- Integration Risks: Integration challenges can lead to operational disruptions. Mitigants include appointing experienced integration teams and setting clear milestones.
- Regulatory Risks: Regulatory scrutiny can delay or block deals. Engaging with regulators early in the process can help mitigate these risks.
- Market Risks: Market volatility can impact deal valuations. Structuring deals with contingent payments can protect against adverse market movements.

## Actionable Insights for Clients and Bankers

### For Clients:

- Focus on thorough due diligence to identify potential integration challenges early.
- Consider retention strategies for key talent to ensure a smooth transition.

### For Bankers:

- Stay informed about competitor moves and market trends to provide timely advice.
- Develop robust financial models to assess the impact of potential deals on shareholder value.

## 5. TECH TRENDS

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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 a range of technologies that enable machines to perform tasks that typically require human intelligence, such as understanding natural language, recognizing patterns, 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%. Recent developments in Colorado highlight the regulatory challenges facing AI, as lawmakers are grappling with how to implement effective regulations that balance innovation with consumer protection.
- Key Companies:
- NVIDIA Corporation (NVDA): NVIDIA is a leader in AI hardware and software, providing GPUs that power AI applications. The company has strategically positioned itself in the AI space by investing heavily in AI research and development, particularly in deep learning and autonomous systems.
- OpenAI: OpenAI is at the forefront of generative AI, known for its language model, ChatGPT. The company has formed partnerships with Microsoft (MSFT) to integrate AI capabilities into its products, enhancing productivity tools like Microsoft 365.
- Competitive Landscape: The AI market is highly competitive, with major players including Google (GOOGL), Amazon (AMZN), and IBM (IBM) also investing heavily in AI technologies. The recent collapse of AI regulatory negotiations in Colorado underscores the tension between innovation and regulation, as tech companies push back against stringent rules that could hinder growth.
- M&A Opportunities: Companies looking to enhance their AI capabilities may consider acquiring startups specializing in niche AI applications, such as computer vision or natural language processing. For instance, Microsoft's acquisition of Nuance Communications (NUAN) for \$19.7 billion in 2021 exemplifies this trend. The ongoing regulatory discussions in Colorado may also lead to increased M&A activity as firms seek to navigate compliance challenges.

## 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%.
- Key Companies:
- Coinbase Global, Inc. (COIN): Coinbase is a leading cryptocurrency exchange that facilitates 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,

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allowing for cryptocurrency transactions. The company's Cash App has become a popular platform for Bitcoin trading.

- Competitive Landscape: The blockchain space is characterized by a mix of established financial institutions and innovative startups. Companies like Ripple and Chainalysis are also 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. For example, 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 reach \$832.1 billion by 2025, growing at a CAGR of 17.5%. As organizations increasingly migrate to cloud-based solutions, the demand for robust cloud infrastructure and services is surging.
- Key Companies:
- Amazon Web Services (AWS): AWS is a dominant player in the cloud computing space, offering a wide range of services including computing power, storage, and machine learning capabilities. The company continues to innovate and expand its offerings to maintain its market leadership.
- Microsoft Azure: Microsoft Azure is a key competitor in the cloud market, providing a comprehensive suite of cloud services. The integration of AI and machine learning into Azure enhances its appeal to businesses looking for advanced solutions.
- Competitive Landscape: The cloud computing market is highly competitive, with major players like Google Cloud and IBM Cloud also vying for market share. The rapid growth of the market has led to increased investment in cloud infrastructure and services.
- M&A Opportunities: Companies in the cloud space may explore acquisitions to enhance their service offerings or expand into new markets. For instance, the acquisition of smaller cloud service providers can help larger firms bolster their capabilities and customer base.

## Cybersecurity

- Trend Explanation: As digital transformation accelerates, cybersecurity has become a critical focus for organizations worldwide

## 6. Recommended Readings

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**Deal Name: MYnd Analytics Acquisition of AI Voice Technology**

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- Reading Material: "Artificial Intelligence in Healthcare" by Parashar Shah
- Why This Matters: This book provides a comprehensive overview of how AI technologies are transforming healthcare, which is crucial for understanding MYnd Analytics' strategic acquisition. It discusses the integration of AI in patient monitoring and engagement, helping to contextualize the potential benefits and synergies from the acquisition of AI voice technology.

## **Deal Name: SPIE Acquisition of Voets & Donkers**

- Reading Material: "The HVAC Business: A Guide to Success" by John Smith
- Why This Matters: This resource offers insights into the HVAC industry, including market trends and operational challenges. Understanding these dynamics is essential for analyzing SPIE's acquisition of Voets & Donkers, as it highlights the strategic importance of enhancing service offerings in industrial refrigeration and air handling systems.

## **7. MACROECONOMIC UPDATE**

### **Key Data Points:**

- U.S. corporate bond spreads: 0.75% above government bonds
- Lowest spread levels since 1998 in the U.S.
- Lowest spread levels since 2007 in Europe
- Historical spread levels were lower in the mid-1990s (U.S.) and mid-2000s (Europe)

### **Main Insights:**

- Current credit spreads are at historically low levels, indicating tight market conditions.
- The relationship between credit spreads and perceived risk is complex; low spreads do not always indicate low risk.
- Strong investor demand and favorable borrowing conditions are currently supporting low spreads.
- A potential increase in recession odds could lead to wider credit spreads.

### **Market Commentary:**

- "Only making an extra three-quarters of a percent to invest in corporate bonds feels like a pretty miserly amount" - Andrew Sheets, Morgan Stanley
- "If the odds of a recession were to go up, credit... would have to take notice" - Andrew Sheets, Morgan Stanley

### **TMT Sector Relevance:**

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- Low credit spreads can facilitate cheaper borrowing for TMT companies, encouraging M&A activity and capital investments.
- If recession fears materialize, TMT firms may face tighter credit conditions, impacting growth and investment strategies.
- The current favorable borrowing environment could lead to increased consolidation in the TMT sector as companies seek to leverage low-cost financing for acquisitions.

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