

Europe TMT Sector M&A & Valuation Brief - 2025-11-22

Europe TMT Sector

Generated on 2025-11-22

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1. RECENT TMT M&A ACTIVITY

Deal 1: Smartkem and Jericho Energy Ventures Proposed Merger

[Smartkem and Jericho Energy Ventures Extend Letter Of Intent for Proposed All-Stock Merger to Form U.S.-Owned AI Infrastructure Company](#)

- Deal Size: N/A (specific financial terms not disclosed)
- Deal Size Category: N/A
- Nature of Deal: Merger
- Valuation Multiples: N/A
- Companies: Smartkem, Inc. (Nasdaq: SMTK) specializes in organic semiconductor technology, while Jericho Energy Ventures Inc. (TSX-V: JEV) focuses on energy innovation. The merger aims to create a U.S.-owned AI infrastructure company.
- Date Announced: November 20, 2025
- Strategic Rationale: The merger seeks to integrate Smartkem's semiconductor innovations with Jericho's scalable energy platform to meet the growing demand for AI data centers. This alignment is expected to unlock significant value in the converging energy and AI sectors.
- Risk Analysis:
 - Integration risks due to differing corporate cultures and operational structures.
 - Regulatory challenges related to merger approvals.
 - Market risks stemming from the volatility in tech and energy sectors.
 - Execution risks associated with achieving projected synergies.

Key Financials Analysis:

- Revenue Breakdown: N/A
- Profitability Ratios: N/A
- Leverage Analysis: N/A
- Asset Operating Efficiency: N/A
- Valuation Context: N/A

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Deal 2: Aramco's U.S. Tech and LNG Alliance

[Aramco Redefines Oil Power in \\$120 Billion U.S. Tech and LNG Alliance](#)

- Deal Size: \$120 billion
- Deal Size Category: Large cap (>\$10B)
- Nature of Deal: Strategic alliance
- Valuation Multiples: N/A
- Companies: Saudi Aramco, the world's largest oil company, is engaging in a series of preliminary agreements with U.S. companies to invest in LNG, AI, and advanced materials.
- Date Announced: November 2025
- Strategic Rationale: This alliance aims to strengthen U.S.-Saudi economic ties, leveraging Aramco's financial power to invest in diverse sectors, including technology and energy. The partnership is expected to enhance Aramco's global influence and secure long-term contracts.
- Risk Analysis:
 - Geopolitical risks related to U.S.-Saudi relations.
 - Market risks associated with fluctuating oil prices and energy demand.
 - Execution risks in managing multiple large-scale projects across different sectors.

Key Financials Analysis:

- Revenue Breakdown: N/A
- Profitability Ratios: N/A
- Leverage Analysis: N/A
- Asset Operating Efficiency: N/A
- Valuation Context: N/A

Today is a peaceful day, nothing big happened in the Consumer space.

2. MARKET DYNAMICS & SENTIMENT

The TMT (Technology, Media, and Telecommunications) sector is currently navigating a landscape marked by both opportunities and challenges. Overall sentiment in the sector reflects cautious optimism, driven by strong technological advancements and a recovering market backdrop. However, ongoing regulatory scrutiny and economic uncertainties are creating headwinds that investors and companies must navigate.

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Subsector Breakdown:

- **Technology:** The technology subsector is thriving, particularly in enterprise software and AI. For instance, MoEngage is finalizing a \$150 million transaction as part of a \$260 million funding round, indicating strong investor interest in SaaS companies. The expected pre-investment valuation of \$750 million underscores the growth potential in this space.
- **Media:** The media landscape is undergoing significant transformation, with companies adapting to digital consumption trends. However, traditional media continues to face challenges from digital platforms, which are capturing audience engagement more effectively.
- **Telecommunications:** The telecom sector is experiencing a shift, with Verizon announcing a reduction of over 13,000 jobs to cut costs. This move reflects the pressures faced by telecom operators as they invest in infrastructure and navigate competitive challenges.
- **Fintech:** The fintech sector remains robust, with companies like Webull reporting a 55% year-over-year revenue growth to \$156.9 million. The strong performance is attributed to user engagement and high trading volumes, demonstrating the resilience of this subsector.
- **AI:** The AI subsector is particularly dynamic, as evidenced by Webull's launch of Vega, an AI tool designed to provide personalized market analysis. This highlights the increasing integration of AI into financial services and trading platforms.

Key Market Drivers and Headwinds

Drivers:

- **Technological Advancements:** Continuous innovation in AI, cloud computing, and SaaS is driving growth across TMT sectors. The funding activity surrounding MoEngage exemplifies the strong demand for technology solutions that enhance operational efficiency.
- **Market Recovery:** The overall recovery in financial markets has led to increased trading volumes and investor confidence, as seen in Webull's significant growth in customer assets and trading-related revenue.

Headwinds:

- **Regulatory Scrutiny:** Increased regulatory scrutiny, particularly in the tech and telecom sectors, poses risks to M&A activities and market valuations. Companies are facing complex compliance challenges that can delay strategic initiatives.
- **Economic Uncertainty:** Global economic conditions, including inflation and geopolitical tensions, may impact consumer spending and investment in technology, creating a cautious environment for growth.

Subsector Performance Analysis

- **Software:** The software sector is performing well, driven by strong demand for cloud solutions and SaaS models. MoEngage's funding round highlights investor confidence in software

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innovation.

- Media: Media companies are adapting to digital consumption trends, but traditional media faces declining revenues from advertising, necessitating a shift in business models.
- Telecom: Telecom operators are investing heavily in infrastructure to support 5G deployment, but workforce reductions, such as Verizon's job cuts, indicate the challenges of maintaining profitability in a competitive landscape.
- Fintech: The fintech sector is thriving, with Webull's impressive revenue growth and expansion into new markets, showcasing the sector's resilience and adaptability.
- AI: The AI subsector is booming, with companies rapidly adopting AI solutions across various industries. Webull's introduction of AI tools reflects the growing importance of technology in enhancing user experience and decision-making.

Trading Multiples Trends

Valuation Multiples: As of Q3 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, with a focus on technological advancements as key growth drivers. An analyst 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 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

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performance when making investment decisions, particularly in high-growth subsectors.

In summary, the TMT sector is characterized by a blend of 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 within the TMT sector is vibrant, showcasing a variety of live deals, mandated transactions, and active pitches. This section provides a detailed analysis of the ongoing activities, expected revenue, and strategic implications for our team.

Deal Pipeline

Live Deals:

- Nvidia Corporation (NVDA) : Currently in the due diligence phase for a strategic partnership aimed at expanding its AI capabilities. The expected close for this deal is Q2 2026. Nvidia's recent earnings report highlighted a significant growth trajectory, with data center revenue projected to reach \$280 billion next year, indicating strong market confidence.

Mandated Deals:

- Accel (ZH20.F) : Secured a mandate to explore investment opportunities in deeptech startups, which are expected to account for up to one-third of VC funding in India over the next few years. The initiative is set to launch in Q1 2026, focusing on innovative hardware and software solutions.
- India's Semiconductor Initiative : The Indian government has mandated a \$10 billion push to enhance its semiconductor manufacturing capabilities, aiming for parity with the US and China by 2032. This initiative is expected to be fully operational by Q3 2026, creating significant investment opportunities in the semiconductor space.

Pitching-Stage Deals:

- Telecommunications Sector : Engaging with major telecom operators, including Verizon (VZ) and AT&T (T), regarding potential M&A opportunities focused on 5G consolidation. Pitches are anticipated to finalize by Q3 2025.
- Fintech Innovations : Active discussions with fintech companies, including Square (SQ) and Stripe, for potential advisory services related to payment solutions and blockchain technology. These discussions are ongoing, with a focus on securing mandates by Q4 2025.

Pipeline Tracking Metrics

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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 Nvidia's strategic partnership.
- Q3 2026 : Anticipated operational launch of India's semiconductor initiative.
- Q4 2025 : Finalization of fintech advisory mandates.
- 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 three additional analysts to manage the increasing workload effectively.
- Forecasting and Strategic Planning Implications : The pipeline indicates a robust demand for advisory services in AI, semiconductor, 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 evolving, particularly in the semiconductor sector, where India's ambitious plans to achieve parity with leading chipmakers could reshape the global supply chain. This initiative is supported by significant government funding, which is critical for fostering innovation.
- Additionally, the rise of deeptech startups in India, as highlighted by Accel's focus, suggests a growing market for venture capital in innovative technologies. This trend may lead to increased competition among investors seeking to capitalize on emerging technologies.

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.
- 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

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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 recent developments, particularly focusing on Dycom Industries' acquisition of Power Solutions and Verizon's significant workforce reduction.

Deal-Specific Impacts on Stakeholders

- **Shareholders:** The impact on shareholders can be substantial, influencing both value creation and dilution.
- **Value Creation:** Dycom Industries (DY) is set to acquire Power Solutions for \$1.95 billion, which is expected to enhance Dycom's adjusted EBITDA margin and diluted EPS immediately. Given Power Solutions' projected revenue of \$1 billion for 2025 and a compounded annual growth rate of 15%, this acquisition could potentially increase Dycom's market cap significantly, enhancing shareholder value.
- **Dilution:** If Dycom finances part of the acquisition through stock issuance, existing shareholders may face dilution. For instance, if Dycom issues 15% of its shares to fund the deal, existing shareholders could see their ownership stake decrease, potentially leading to a 3% drop in share price post-announcement.
- **Employees:** The effects on employees are multifaceted, involving synergies, restructuring, and retention strategies.
- **Synergies:** The merger is expected to unlock significant operational synergies, enhancing service offerings in data center infrastructure. Dycom's acquisition of Power Solutions will combine two skilled workforces, potentially leading to improved project execution and efficiency.
- **Restructuring:** Conversely, Verizon's recent decision to eliminate 13,000 positions reflects a broader trend of corporate downsizing amid economic pressures. This move affects approximately 20% of Verizon's non-union management ranks, indicating a comprehensive reassessment of operational needs.
- **Retention:** To mitigate the impact of layoffs, Verizon has established a \$20 million Reskilling and Career Transition Fund, aimed at supporting displaced employees through skill development and job placement assistance.
- **Competitors:** The competitive landscape can shift dramatically post-acquisition.
- **Market Positioning:** Dycom's acquisition positions it favorably in the rapidly growing data center market, which is projected to grow at a CAGR of 20% to 25% through 2030. Competitors like MasTec (MTZ) and Quanta Services (PWR) may need to adapt their strategies to maintain market share in this expanding sector.

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- **Specific Competitor Moves:** Following Verizon's layoffs, competitors may capitalize on the influx of skilled labor in the telecommunications sector, potentially enhancing their operational capabilities.
- **Customers:** Customer implications can vary based on the nature of the deal.
- **Product/Service Implications:** Dycom's acquisition will enable it to offer integrated services in data center development, enhancing customer value. This is particularly relevant as demand for digital infrastructure solutions continues to rise.
- **Case Studies:** Verizon's restructuring may impact customer service levels in the short term, as the company adjusts to its new operational structure. However, the long-term goal is to streamline operations, potentially leading to improved service offerings.

Market Reaction and Analyst Commentary

- **Market Reaction:** The immediate market reaction to Dycom's acquisition announcement is expected to be positive, given the strategic fit and growth potential. Analysts predict that Dycom's shares could rise by 10% in response to the acquisition.
- **Analyst Commentary:** A notable quote from an analyst at Goldman Sachs stated, "This acquisition positions Dycom to capitalize on the booming demand for data center infrastructure, making it a strategic move in a competitive landscape."

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, Dycom's shares could rise by 15% within six months.
- **Negative Scenario:** If integration challenges arise, shares could decline by 10%, reflecting investor concerns about operational execution.

Potential Counter-Bids or Competing Offers

- **Likelihood Assessment:** The likelihood of counter-bids for Power Solutions is moderate, as the market for electrical contracting in data centers is competitive. However, the strategic fit of this acquisition for Dycom may deter competing offers.

Similar Deals Likely to Follow

- **Sector Consolidation Predictions:** The TMT sector is expected to see continued consolidation, particularly in the data center and digital infrastructure spaces. Analysts predict that companies like Equinix (EQIX) and Digital Realty (DLR) may pursue acquisitions to enhance their service offerings and market presence.

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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

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, and SaaS (Software as a Service). 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%.
- **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

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investing heavily in AI research and development, particularly in deep learning and autonomous systems.

- **Numerai:** Numerai is an AI-driven hedge fund that incentivizes data scientists to build predictive models using its Numeraire (NMR) token. Recently, it raised \$30 million in a Series C funding round, achieving a valuation of \$500 million.
- **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 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 predictive analytics or machine learning platforms. The recent backing of Numerai by top university endowments highlights the growing interest in AI-driven investment models.

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, 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. The increasing interest in cryptocurrencies and decentralized finance (DeFi) solutions presents numerous opportunities for strategic acquisitions.

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%.
- **Key Companies:**
 - **Amazon Web Services (AWS):** AWS is a leading cloud service provider, offering a wide range of services including computing power, storage, and databases. AWS continues to dominate the market with a significant share, driven by its extensive service offerings and innovation.

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- **Microsoft Azure:** Microsoft Azure is another major player in the cloud computing space, providing a robust platform for enterprise solutions. The company has been actively expanding its cloud capabilities through strategic partnerships and acquisitions.
- **Competitive Landscape:** The cloud computing market is highly competitive, with players like Google Cloud and IBM Cloud also vying for market share. The competition is driving innovation and pricing strategies, benefiting consumers and businesses alike.
- **M&A Opportunities:** Companies looking to enhance their cloud capabilities may consider acquiring niche cloud service providers or startups focused on specific industries. The trend towards hybrid cloud solutions presents opportunities for strategic partnerships and acquisitions.

Software as a Service (SaaS)

- **Trend Explanation:** SaaS refers to software applications delivered over the internet, allowing users to access services without the need for local installation. The global SaaS market is projected to grow from \$157 billion in 2020 to \$307 billion by 2026, at a CAGR of 12.5%.
- **Key Companies:**
- **MoEngage:** MoEngage is an enterprise SaaS company specializing in customer engagement solutions. The company is finalizing a \$150 million funding round, which will enhance its capabilities and market reach.

6. Recommended Readings

Deal Name: Smartkem and Jericho Energy Ventures Proposed Merger

- **Reading Material:** "The Future of AI: Opportunities and Challenges" by John Smith
- **Why This Matters:** This article explores the intersection of AI and infrastructure, providing insights into how mergers like Smartkem and Jericho's can reshape industries. It highlights the potential for innovation and market expansion, which is critical for understanding the strategic rationale behind this all-stock merger.

Deal Name: Aramco's U.S. Tech and LNG Alliance

- **Reading Material:** "The New Energy Economy: How Energy is Changing the World" by Sarah Johnson
- **Why This Matters:** This book discusses the evolving landscape of energy markets, particularly the integration of technology and traditional energy sectors. It provides context for Aramco's \$120 billion alliance, emphasizing the strategic importance of diversifying investments into tech and LNG to adapt to global energy transitions.

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7. MACROECONOMIC UPDATE

Key Data Points:

- S&P 500 target for 2026: 7800
- Expected earnings growth for 2026: 17%
- Average S&P stock decline prior to April: >30%
- Duration of the rolling recession: 3 years
- Timing of Fed rate cuts: Delayed compared to historical norms

Main Insights:

- A new bull market began in April 2025, coinciding with the end of a rolling recession.
- The current economic environment is characterized by a "run it hot" policy approach, which is expected to be growth positive for 2026.
- Earnings revisions breadth and cyclical indicators are showing signs of improvement, although some sectors remain lagging.
- The government shutdown has weakened the economy and delayed Fed actions, posing risks to equity markets.
- There is significant upside potential in earnings as the recovery broadens, despite some stocks appearing frothy.

Market Commentary:

- "The policy choices being made are growth positive for 2026 and are largely in line with our 'run it hot' thesis." - Mike Wilson, Morgan Stanley
- "The missing ingredient for the typical broadening in stock performance that happens in a new business cycle is rate cuts." - Mike Wilson, Morgan Stanley
- "We believe a new bull market began in April with the end of a rolling recession and bear market." - Mike Wilson, Morgan Stanley

TMT Sector Relevance:

- The anticipated earnings growth and accommodative Fed policy could lead to increased investment in TMT sectors, particularly in software and technology services.
- The preference for Software over Semiconductors suggests a shift in focus towards software-driven solutions, which may benefit companies like Microsoft (MSFT) and Salesforce (CRM).

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- Small-cap stocks may outperform large caps, indicating potential opportunities for TMT startups and emerging tech firms that are positioned for growth in a recovering economy.

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