SUBSALIENT

2025

TECH MEDIA & TELECOMMUNICATIONS (TMT)

A forward view of TMT M&A in 2025 — analyzing digital disruption, capital flows, and strategic consolidation across the sector.

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SECTOR BACKGROUND

TMT Background

Technology – The Digital Engine Room

Technology forms the base layer of the TMT stack. It is diverse, but every component — chips, cloud, devices, or frontier technologies — feeds into global digital transformation.

Context
Technology is the core enabler of the modern digital economy. It provides the base layer on which telecom, media, and platforms depend. Unlike media (cyclical, IP-driven) or telecoms (infrastructure-heavy), technology is characterised by rapid innovation cycles, intangible-heavy value creation, and geopolitical significance.

The subsector can be broken into four verticals, each with distinct dynamics:

1. Semiconductors — physical foundation: every smartphone, server, or AI model runs on chips.
2. Software & Cloud — digital infrastructure for enterprises and consumers.
3. Consumer electronics — devices that anchor ecosystems and monetise user behaviour.
4. Frontier technologies — emerging areas like AI, quantum, and cybersecurity that define the next wave of disruption.

These subsectors don't evolve in isolation. They are interdependent: semiconductors enable cloud; cloud drives consumer services; devices form the end-user gateway; frontier tech sets the future competitive landscape.

Semiconductors

- Why they matter: Chips are the fundamental input for all digital activity, powering smartphones, cars, servers, defence systems, and AI. They are also highly capital-intensive: a single fabrication plant costs more than $15bn to build and operate (Bain, 2024).

- Strategic challenge: Supply chains are geopolitically exposed. Taiwan's TSMC accounts for over 60% of advanced chip production, creating systemic risk in a period of rising US–China tensions. In response, the US, EU, and China are investing heavily in "chip sovereignty" initiatives to localise production.
- 2025 lens: Demand is dominated by AI chips. NVIDIA, the most valuable semiconductor company globally, controls over 80% of the AI accelerator market, but faces pressure from AMD, Intel, and in-house chip design by hyperscalers such as Google and Amazon (Morgan Stanley, 2025).
- M&A role: Consolidation helps diversify design capabilities and reduce reliance on volatile end-markets. AMD's $35bn acquisition of Xilinx (2022) strengthened its position in adaptive computing, critical for 5G and AI workloads.

Software & Cloud

- Why they matter: Enterprise software (SAP, Oracle, Salesforce) underpins corporate IT operations, while hyperscale cloud platforms (AWS, Azure, Google Cloud) have become the world's "digital utilities." By 2028, cloud revenues are projected to exceed $1trn, fuelled by AI adoption, hybrid work models, and digitisation (PwC, 2024).
- 2025 lens: Cloud growth is increasingly tied to AI. Hyperscalers are vertically integrating into semiconductors (Google's TPU, Amazon's Trainium) to manage costs and defend their margins.
- M&A role: Deals are focused on acquiring cybersecurity, data analytics, and niche AI capabilities. Broadcom's $61bn acquisition of VMware (2023) illustrated the push into hybrid cloud, diversifying away from semiconductors.

Consumer Electronics

- Why they matter: Smartphones, laptops, and wearables are the most widely adopted consumer products globally, connecting billions of people to digital ecosystems.
- Shift in value: Hardware sales are maturing in saturated markets. Growth now lies in ecosystems — app stores, subscription services, cloud storage, and payments. Apple, Samsung, and Huawei anchor this shift by using devices to funnel users into recurring service revenues.
- 2025 lens: Apple now generates over 25% of revenues from services, reducing dependence on volatile hardware cycles (Morgan Stanley, 2025).
- M&A role: Acquisitions are typically of niche technologies (biometrics, sensors, health-tracking features) that reinforce ecosystem stickiness.

Frontier Technologies

- Why they matter: Emerging fields — generative AI, quantum computing, and advanced cybersecurity — are set to redefine the digital economy over the next decade.
- 2025 lens: Generative AI has attracted over $40bn in capital since 2023, though commercial models remain uncertain. Quantum computing remains largely pre-commercial but is being aggressively pursued by IBM, Google, and start-ups. Cybersecurity spending is rising sharply as cyberattacks escalate globally.
- M&A role: Strategic bets. Microsoft's multibillion-dollar partnership with OpenAI represents not just investment but an attempt to anchor its ecosystem in the generative AI era.

Media & Entertainment – Content Under Pressure

Media monetises attention and culture but faces structural shifts in 2025.

Context
Media & entertainment is the attention economy. Unlike semiconductors (inputs) or telecoms (infrastructure), its business model is based on capturing and monetising consumer time through advertising, subscriptions, and intellectual property (IP).

Historically, the industry evolved through distinct phases:

- Broadcast era (20th century): Scarcity of channels (TV, radio) gave a few networks dominant control over advertising and culture.
- Cable & satellite (1980s–2000s): Distribution fragmented, revenues grew via subscriptions and bundled content.
- Streaming (2010s–2020s): Direct-to-consumer (D2C) platforms (Netflix, Disney+) disrupted incumbents, driving a global pivot to digital delivery.
- 2025 reality: The streaming boom has plateaued; profitability, not subscriber growth, is the strategic focus. Gaming has overtaken film and TV as the largest entertainment format, and music has become financialised through catalogue securitisation.

The unifying theme is IP ownership. The most valuable assets in media are not distribution pipes (which can be replaced) but franchises and catalogues that generate monetisable cashflows across decades.

Film, TV & Streaming

- Historical context: Between 2019–23, the “streaming wars” saw Netflix, Disney+, and Amazon Prime Video spend tens of billions on content to drive subscriber growth.
- 2025 reality: The boom has turned into a profitability crisis. Subscriber numbers have plateaued in North America and Europe; investors now demand sustainable returns. Platforms are cutting content budgets, raising prices, and bundling services (KPMG, 2024).
- Examples: Netflix is exploring partnerships with telcos to reduce churn. Disney is integrating ESPN into its streaming bundle to stabilise sports revenues, capitalising on live content as a differentiator
- · M&A dynamic: Content libraries remain prized. Disney’s $71bn Fox acquisition (2019) gave it a vast back catalogue, which continues to underpin Disney+.

Gaming

- Why it matters: Gaming is now the largest entertainment subsector, generating over $200bn annually — more than film and music combined (PwC, 2024).
- Growth drivers: Mobile gaming dominates in Asia; esports and immersive experiences expand audience engagement; cloud gaming lowers hardware barriers.
- 2025 reality: Microsoft’s $69bn Activision Blizzard acquisition (2023) reshaped the competitive balance, securing IP like Call of Duty and World of Warcraft. Sony and Tencent are responding with partnerships and acquisitions to secure their ecosystems.
- M&A dynamic: IP is king. Established franchises are long-term cash flows, making them valuable consolidation targets.

Music & Publishing

- Why it matters: Music streaming is ubiquitous, but rights remain concentrated in the “Big Three” (Universal, Sony, Warner). The monetisation of rights has become a financial strategy in itself.
- 2025 reality: Catalogues are increasingly treated as investment-grade assets. Royalty funds and private equity firms are purchasing catalogues for long-term yield. However, restructurings like Hipgnosis in 2025 show investor scrutiny around valuations and governance.
- M&A dynamic: Continued catalogue consolidation as pension funds and PE chase stable, inflation-protected cash flows.

Telecommunications – Capital Intensity Meets Geopolitics

Context: How the telco engine really works
Telecoms are scale, spectrum, and steel. Operators stitch together four layers that determine costs, service quality, and M&A logic:

- Access/RAN (radio): Macro sites, small cells, indoor DAS; vendor set historically "closed" (Ericsson/Nokia/Huawei), now shifting toward Open RAN (disaggregated radio + DU/CU software).
- Transport: Fiber backhaul/middle-mile, microwave links, metro rings; bottleneck for 5G densification and FTTH rollout.
- Core (packet/core/IMS): Moving from appliance-based to cloud-native cores (SA 5G), enabling features like network slicing and lower-latency services.
- IT/OSS/BSS: Billing, CRM, provisioning; increasingly telco cloud and "as-a-service" with hyperscalers.

Economics/KPIs that drive strategy:

- Capex intensity: 15–20% of revenues in mature markets (higher during 5G/FTTH peaks).
- Opex mix: Energy (10–25%), site leases, field ops—areas ripe for carve-outs/neutral host models.
- Regulatory cash out: Spectrum auctions can exceed 5–10% of annual revenues when cycles peak.
- Unit demand: Mobile data growth ~20–30% CAGR; fixed lines see multi-gigabit demand once FTTH is in.
- Commercial KPIs: ARPU, churn, NPS, fiber penetration, 5G SA coverage, enterprise mix.

Telecommunications remain the infrastructure spine of the digital economy, providing the networks that connect billions of users and enterprises.

Mobile networks

- Context: With 5.5bn mobile subscriptions worldwide (GSMA, 2024), mobile penetration is nearly universal. Operators have evolved from state-owned monopolies into highly competitive, capital-intensive businesses.

- Structural challenge: Each generational upgrade (3G, 4G, 5G, and soon 6G) requires tens of billions in spectrum and infrastructure investment, while consumer pricing power remains capped by regulation.
- 2025 lens: Margins are squeezed by inflationary pressure on capital expenditure and rising spectrum costs. In developed markets, subscriber growth is saturated, so operators are pursuing consolidation to achieve scale and reduce duplication.
- M&A example: Orange–MasMovil's €19bn merger in Spain (2022) combined networks to share spectrum costs and compete more effectively. Similar pressures are driving deals across Italy, the UK, and Latin America.

Fixed Broadband & Fibre

- Context: Fibre-to-the-home (FTTH) has become a policy priority for governments seeking digital inclusion. The EU's "Gigabit Society 2030" strategy is driving mass fibre rollouts.
- 2025 lens: Fragmented fibre operators are being acquired by incumbents or infrastructure funds. In the UK, BT's Openreach and altnets like CityFibre are reshaping the market through partnerships and consolidations.

Satellites & Subsea Cables

- Satellites: Low-earth orbit (LEO) constellations, pioneered by Starlink and Amazon Kuiper, are transforming rural and remote connectivity. By 2025, Starlink operates over 5,000 satellites, with rivals accelerating deployment.
- Subsea cables: Carrying 95% of international internet traffic, cables are increasingly financed and owned by Big Tech firms like Google, Meta, and Microsoft (EY, 2024). This gives hyperscalers direct control of global bandwidth.
- Geopolitical angle: Subsea infrastructure is now a matter of state security, with governments scrutinising foreign investment and ownership due to espionage and resilience risks.

Internet & Digital Platforms – The Gatekeepers

Context: The platform machine & its economics
Platforms operate multi-sided markets: they acquire users, maximise time-spent/engagement, and monetise via ads, transactions, and subscriptions. Their moats:

- Network effects (more users → more content → more users).
- Default positions (search/browser defaults; app store control).
- Data/ML feedback loops (better targeting → higher ROI → more spend).
- Ecosystem breadth (payments, logistics, cloud, creator tools).

A modern platform P&L turns on five levers:

- Acquisition (paid vs organic; CAC vs LTV).
- Engagement (DAU/MAU, session length, creator supply).
- Ad load & pricing (eCPM, ROAS, signal loss from privacy changes).
- Take rate (commerce/payments/creator rev-share).
- Regulatory friction (DMA/GDPR/ATT/IDFA, cookie deprecation).

Search & ads

- Context: Google controls over 90% of global search, making it one of the most entrenched monopolies in history. Digital advertising surpassed $600bn globally in 2024, displacing traditional media (McKinsey, 2024).
- 2025 lens: Ad spending is shifting towards AI-driven targeting and short-form video. TikTok is eroding Meta's dominance in younger demographics, forcing incumbents to invest in new ad formats and AI-enhanced measurement tools. Regulators in the EU and US are clamping down on targeted ads, introducing uncertainty into monetisation models.

E-commerce

- Context: Amazon, Alibaba, and Mercado Libre dominate global e-commerce, integrating logistics, payments, and cloud into closed ecosystems. Their scale allows them to treat commerce not just as a retail business, but as a data and infrastructure play.
- 2025 lens: Regional challengers (Shopee in Southeast Asia, Flipkart in India) are growing fast, prompting incumbents to pursue acquisitions or partnerships to defend market share.

Super-apps

- Context: Asia leads in super-app adoption. WeChat, Grab, and GoTo combine messaging, payments, ride-hailing, and e-commerce into a single ecosystem. This "everything app" model has not yet been replicated in Western markets, where consumer habits are more fragmented.

- 2025 lens: Elon Musk's "X" (formerly Twitter) is attempting to evolve into a super-app with payments, but traction remains uncertain.

M&A dynamics
- Defensive acquisitions: Big platforms buy rivals early to eliminate competition — Meta's purchases of Instagram (2012) and WhatsApp (2014) remain archetypes.
- 2025 constraint: Antitrust regulators are increasingly hostile to Big Tech consolidation. Instead of mega-deals, platforms are turning to bolt-on acquisitions (AI, AR/VR, fintech) and minority investments.

IT Services & Outsourcing – Talent at Scale

Context: how the machine makes money
IT services firms translate technology into business outcomes. They operate a multi-layered value chain with different margin/scale dynamics:
- Strategy & Design (advisory, product/UX): high rates, low scale; sells the roadmap.
- Systems Integration (SI) & Engineering (cloud/data/ERP/app modernisation): large programmes; utilisation and delivery discipline drive gross margin.
- Managed Services (run/operate, helpdesk, infra/app management): annuity revenues, SLAs/XLAs, 3–7-year TCV; margin expands with automation.
- BPO / GBS (finance, HR, CX): labour-arbitrage + automation; outcome-based pricing increasingly common.
- Cybersecurity (MSSP): 24×7 monitoring, incident response, identity/zero-trust; scarcity pricing and M&A roll-ups.
- ER&D / Product Engineering: embedded software, silicon/board design, digital twins— tighter links to TMT core (chips, devices).

Core economics & KPIs: utilisation (billable hours), onshore/offshore mix, pyramid health (partner/principal/SME/associate), rate cards vs wage inflation, subcontractor mix, booked-to-bill (ACV/TCV), backlog, client concentration (Top-10 % of revenue), partner tier status (AWS/Azure/GCP/Snowflake/ServiceNow/SAP). (Bain, 2024; PwC, 2025)

IT services are the enablers of digital transformation for corporates and governments, translating new technologies into practical operations.

Consulting & managed services

- Context: Global leaders (Accenture, Capgemini, Infosys) design and implement digital transformation, cloud migration, and AI deployment projects.
- 2025 lens: Demand is surging for generative AI integration, cybersecurity resilience, and hybrid cloud strategies. However, talent shortages in advanced analytics and cybersecurity are constraining growth, prompting acquisitions of boutique specialists.

Business process outsourcing (BPO)

- Context: Firms like Tata Consultancy Services (TCS) and Cognizant deliver scale efficiencies in outsourced IT, finance, and customer support.
- 2025 lens: Clients increasingly demand not just cost savings, but digital solutions (automation, AI-enabled workflows).

Cybersecurity services

- Context: Cyberattacks and ransomware are now systemic business risks. Spending is forecast to surpass $200bn in 2025, making cybersecurity the fastest-growing IT service line (Bain, 2024).
- 2025 lens: Nation-state cyber conflicts (e.g., US–China tensions) are driving sovereign demand for security services.
- M&A dynamic: Acquisitions provide access to scarce talent pools and niche expertise.
- Example: IBM's $34bn acquisition of Red Hat (2019) pivoted it into hybrid cloud but also reinforced its security and open-source credentials.

Digital Infrastructure

Context: assets, cashflows, constraints
Digital infrastructure is the physical backbone that converts digital demand into delivered services. Four major asset classes with distinct contract & return profiles:

- Data centres (colocation & hyperscale) - Data centres host cloud services, AI models, and enterprise applications. Hyperscale facilities have become as essential as power plants in the digital economy
  - Revenue model: recurring MRR (space/power), cross-connect fees, interconnection; WALE 5–10 yrs.

    - Key constraints: power & land first, capital second; PUE & sustainability; transformer/gear lead times.
    - Risk: construction, power procurement, customer concentration (hyperscalers), technology shifts (liquid cooling, high-density AI racks).

- Towers & small cells - Telecom towers and fibre backbones are capital-intensive but provide stable, recurring cashflows through long-term leasing. Firms like American Tower and Cellnex dominate globally.
    - Revenue model: long-term CPI-linked ground leases; tenancy ratios (1.3–2.0×) drive operating leverage.
    - 5G densification: urban infill and small cells; neutral-host indoor DAS.
    - Risk: churn on carrier consolidation; zoning/community; energy.

- Fibre (long-haul, metro, FTTH)
    - Revenue model: IRUs/dark fibre leases (long-haul/metro); wholesale/open-access FTTH; take-up rates determine returns.
    - Risk: build cost inflation, permitting delays, overbuild.

- Subsea cables
    - Revenue model: consortia capacity sales/IRUs; strategic routes (trans-Atlantic, Indo-Pacific).
    - Risk: geopolitical screening, redundancy, repair logistics, cyber/physical security

Data centres.

- 2025 lens: The rise of AI has turbocharged demand. Each generative AI model requires massive computational power, pushing global data centre capacity to double by 2030 (Morgan Stanley, 2025). Energy efficiency and sustainability are now critical factors, as governments regulate data centre carbon footprints.

Towers & fibre

- 2025 lens: As 5G densification continues, tower portfolios are expanding rapidly. Fibre penetration remains uneven, but demand for high-speed connectivity ensures long-term growth.

Ownership and investment

- Context: Infrastructure funds, private equity, and sovereign wealth funds increasingly own data centres, towers, and fibre assets. These assets resemble utilities — stable, defensive, and inflation-linked.
- M&A example: KKR and GIP's $15bn acquisition of CyrusOne (2021) highlighted the appetite of financial sponsors for digital infrastructure platforms.
- 2025 lens: With higher interest rates, investors are more selective, but infrastructure remains one of the few asset classes with strong structural tailwinds.

Why This Matters

The TMT sector is the nervous system of the global economy. M&A activity within it determines:

- Who controls networks, platforms, and infrastructure.
- Which technologies achieve global scale.
- How cultural narratives and consumer access are shaped.
- Where global investment capital flows.

Every deal has strategic consequences:

- A semiconductor acquisition reshapes AI supply chains.
- A telecom merger influences broadband affordability.
- A streaming consolidation changes global cultural access.

In 2025, TMT dealmaking is not simply financial. It is strategic, geopolitical, and cultural, with ripple effects that extend from capital markets to households worldwide.

02

Key Themes Shaping TMT M&A

Artificial Intelligence and the Innovation Wave

Context
The TMT sector has always been shaped by technology cycles that reset competitive positions and spur waves of M&A:

- 1990s – Internet boom: Capital chased "eyeballs," driving acquisitions of portals, ISPs, and early e-commerce sites. AOL's $165bn merger with Time Warner (2000) epitomised the era — a bid to combine connectivity with content that collapsed when the bubble burst.

- 2000s – Mobile computing: Smartphones reshaped consumer behaviour. Apple's iPhone (2007) redefined hardware, while Google's $12.5bn acquisition of Motorola Mobility (2011) secured patents critical to Android. Facebook's $1bn purchase of Instagram (2012) ensured its dominance in mobile social media.

- 2010s – Cloud and SaaS: Enterprises shifted IT spend from capex to subscription opex. IBM's $34bn Red Hat acquisition (2019) pivoted it towards hybrid cloud. SaaS vendors consolidated niches — Salesforce bought MuleSoft (2018) and Slack (2020) to defend its ecosystem.

Artificial Intelligence is different.

- It is general-purpose: applicable across almost every industry, from healthcare diagnostics to media production.
- It is capital-intensive: training frontier models requires billions in compute and electricity, making entry barriers far higher than mobile or cloud.
- It is politically sensitive: unlike past cycles, AI is under regulatory scrutiny from inception — over data use, misinformation, copyright, labour displacement, and national security.

In short, AI is not just another innovation wave — it is a platform shift with horizontal and vertical impact across the entire TMT stack

2025 Lens

By 2025, AI adoption has moved from experimentation to mainstream deployment, with investment, infrastructure, and regulation converging.

- Investment scale: Annual AI investment surpassed $40bn in 2024 and continues to accelerate, driven by sovereign wealth funds (Mubadala, GIC), hyperscalers (Microsoft, Amazon, Google), and private equity (Morgan Stanley, AI Investment Trends 2025, p. 7).

- Semiconductor bottleneck: AI workloads have made high-end GPUs and accelerators the most valuable inputs in tech. NVIDIA controls >80% of the AI chip market, but rivals (AMD, Intel) and hyperscalers' custom silicon (Google TPU, Amazon Trainium) are intensifying competition (Bain, Global Tech Report 2024, p. 23).

- Cloud monetisation: AI is being embedded into enterprise platforms — Microsoft Copilot, Google Gemini, Amazon Bedrock. AI-driven cloud revenues are forecast to exceed $300bn by 2027 (PwC, TMT Outlook 2025, p. 15).

- Media disruption: AI is reshaping production (VFX, automated editing, NPC scripting, generative music). Yet copyright disputes are escalating — Getty Images sued Stability AI in 2023 for training data use, and governments in 2025 are drafting "AI copyright" frameworks (EY, Media & Entertainment M&A Insights 2024, p. 12).

- Labour & services: IT consulting demand is surging as enterprises adopt AI workflows. Accenture pledged $3bn in AI-related investment and retraining. Yet AI engineering talent is scarce, making acqui-hiring (acquiring firms for talent) a core M&A driver (Bain, Global IT Services Report 2024, p. 19)

- Geopolitical race: The US and China are competing to dominate frontier AI models. Meanwhile, the EU's AI Act (expected finalisation in 2025) will become the world's first comprehensive AI regulation, shaping permissible models and business models (McKinsey, Global AI Outlook 2024, p. 10).

M&A Implications

- Semiconductors: Expect acquisitions of start-ups focused on novel architectures (graph processors, neuromorphic computing). Incumbents may pursue vertical integration of chip design + manufacturing to reduce external dependencies.
- Hyperscalers: Microsoft's $10bn+ OpenAI deal has become the blueprint — minority stakes with deep ecosystem integration. Amazon's $4bn Anthropic investment (2023–24) and Google's stake in Cohere follow the same model.
- Software & enterprise IT: Adobe, Salesforce, and ServiceNow are acquiring AI-native start-ups to integrate features quickly. Applied AI firms (coding assistants, customer service bots) are prime consolidation targets.
- Media & data rights: Proprietary data sets (e.g., music catalogues, legal databases, medical records) are now viewed as competitive moats. Expect roll-ups and licensing deals.
- Private equity: Funds are heavily backing AI-optimised data centres and model training infrastructure, combining yield stability with AI growth exposure.

Examples

- Strategic ecosystem bet: Microsoft's $10bn+ OpenAI partnership (2023–25) anchoring Azure's AI platform.
- Defensive consolidation: Adobe's 2024–25 acquisitions of generative AI design start-ups to defend its creative suite.
- Competitive positioning: Amazon's $4bn stake in Anthropic (2023–24) to secure access to Claude.
- Infrastructure play: KKR, Blackstone, and Brookfield deploying billions into AI-specialised data centres in North America and Europe.

Implications

- For corporates: AI is now table stakes. M&A is defensive as well as growth-driven — firms risk irrelevance without adoption.
- For investors: Valuations are inflated; focus is needed on moats in compute, proprietary data, and defensible models.
- For policymakers: Antitrust reviews are sharpening. AI is the first innovation cycle being regulated during its emergence, not after. National security concerns (e.g., restricting exports of advanced AI chips) will shape deal approvals.

Regulatory & Antitrust Scrutiny

Context
Regulation has always played a role in shaping TMT dealmaking, but in recent years it has become the single biggest external constraint on M&A.

- Early phase (1990s–2000s): Most TMT consolidation (e.g., telco mergers, early internet acquisitions) was approved, with regulators largely focused on infrastructure access and spectrum allocation. AOL–Time Warner (2000) was allowed despite its size, though it later collapsed commercially.

- 2010s: As Big Tech platforms consolidated (Google–DoubleClick, Facebook–Instagram/WhatsApp, Microsoft–LinkedIn), regulators began facing criticism for being too permissive. By the end of the decade, policymakers were under pressure to prevent further "digital monopolies."

- 2020s: Regulatory scrutiny is now systemic. Authorities no longer treat TMT deals as routine — they view them as shaping competition, innovation, national security, and even democratic resilience. The collapse of NVIDIA's $40bn acquisition of Arm in 2022 was a turning point, signalling the end of "rubber-stamp" approvals.

Three factors explain the intensity today:

1. Market concentration: A handful of companies (Apple, Microsoft, Alphabet, Amazon, Meta, Tencent) dominate multiple verticals simultaneously.
2. Cross-sector impact: TMT M&A doesn't just affect competition in tech — it impacts healthcare, finance, defence, media, and beyond.
3. Geopolitics: States now view digital infrastructure and platforms as strategic assets.

2025 Lens

Regulatory pressure in 2025 is at its highest in two decades:

- United States: The FTC and DOJ have adopted an aggressive stance under the Biden administration. Major cases:
  - DOJ vs Google (2023–25) over search monopoly.
  - FTC scrutiny of Microsoft–Activision Blizzard (approved after prolonged conditions).
  - Heightened focus on "killer acquisitions" — buying start-ups to neutralise competition.

- European Union: The Digital Markets Act (DMA) (enforced in 2024) designates "gatekeepers" (Google, Apple, Meta, Amazon, Microsoft) and restricts bundling, self-preferencing, and data cross-use. This has direct implications for M&A approvals.
- United Kingdom: The Competition and Markets Authority (CMA) has become one of the world's toughest regulators — blocking Facebook–Giphy (2021) and initially resisting Microsoft–Activision (2022). In 2025, the CMA is positioned as a global bellwether.
- China: The State Administration for Market Regulation (SAMR) continues to scrutinise foreign acquisitions in sensitive tech (semiconductors, cloud) while supporting domestic champions.
- Cross-border deals: National security reviews under CFIUS (US), FIRB (Australia), and new EU-level screening mechanisms have expanded scope from defence into semiconductors, cloud, and even gaming.

M&A Implications

- Higher execution risk: Mega-deals face multi-jurisdictional reviews, lengthening timelines (Microsoft–Activision took 20 months). This increases financing costs and integration risk.
- Deal structuring: Parties increasingly use divestitures, carve-outs, and behavioural remedies to appease regulators. For example, Microsoft offered concessions around cloud gaming to win Activision approval.

- Shift to mid-sized deals: Instead of $50bn+ megadeals, corporates pursue bolt-ons ($1–10bn) that avoid regulatory spotlight.
- Private equity advantage: PE deals often face less scrutiny than strategic acquisitions, particularly in infrastructure (towers, fibre, data centres).
- Data & security focus: National security regulators are treating data as a critical resource — acquisitions involving health, financial, or geolocation data face added hurdles.

Examples

- Blocked: NVIDIA's $40bn takeover of Arm (2022) collapsed under UK, US, and EU pressure over competition and sovereignty.
- Delayed/conditional: Microsoft–Activision Blizzard ($69bn, 2023) approved only after concessions to EU and UK regulators.
- Regional divergence: Meta's acquisition of Giphy (2020) was forced to unwind by the UK CMA in 2021, highlighting how smaller regulators can derail global deals.
- Ongoing: Adobe–Figma ($20bn, announced 2022) faced intense scrutiny over competition in design software. Figma instead had its IPO on July 31st 2025.

Implications

- For corporates: Regulatory risk must be priced into every deal. Pre-deal engagement with regulators is now as important as financial modelling.
- For investors: Extended approval cycles increase uncertainty, lowering expected IRRs on megadeals. This creates relative upside for PE in mid-market transactions.
- For policymakers: Regulators face a balancing act: curbing monopolies without stifling innovation. In AI especially, too much concentration in a handful of players risks global dependency.

Geopolitical Fragmentation & Tech Sovereignty

Context
Technology is no longer just a business enabler — it is now a core component of state power. Governments treat chips, cloud, telecoms, and data as strategic assets, on par with energy or defence.
For most of the late 20th century, TMT operated under a globalised model:

- Chips were designed in the US, manufactured in Taiwan or South Korea, assembled in China, and sold worldwide.
- Telecom networks were built by global vendors (Ericsson, Huawei, Nokia) and operated internationally.
- Cloud services (AWS, Microsoft Azure, Google) served global clients with little concern over data borders.

That era of frictionless globalisation is ending. Since the mid-2010s, technology has become a flashpoint for US–China rivalry, European sovereignty agendas, and emerging market protectionism.

- Washington sees chips and AI as national security imperatives.
- Brussels frames “digital sovereignty” as protecting both competition and data rights.
- Beijing treats self-sufficiency as survival against sanctions.
- Middle Eastern and Asian markets push for localised data control and indigenous cloud services.

This fragmentation means cross-border M&A is increasingly political: a semiconductor acquisition or cloud JV must now satisfy not only financial metrics but also national security regulators.

2025 Lens

Semiconductors – the frontline of sovereignty

- Chips are the "new oil." Without advanced semiconductors, no economy can lead in AI, defence, or telecom.
- The US CHIPS Act (2022) and EU Chips Act (2023) together allocate over $100bn in subsidies to onshore semiconductor production.
- In 2025, TSMC has started production at its Arizona plant, Samsung is building fabs in Texas, and Intel is breaking ground in Magdeburg, Germany (Bain, 2024). These state-backed expansions are reshaping the global deal landscape.
- M&A angle: National subsidies encourage alliances and JVs rather than outright foreign buyouts — e.g., Intel partnering with European governments, rather than acquiring EU firms outright.

Telecom infrastructure – cables, satellites, and national security

- Subsea cables carry ~95% of international internet traffic. Once controlled by telcos, they are now largely financed by hyperscalers (Google, Meta, Microsoft).
- Governments view this as a security vulnerability. Japan, India, and the EU introduced stricter foreign-ownership screening in 2024–25 (EY, 2024).
- Satellites are also politicised. Starlink has become a military and humanitarian tool, from Ukraine to Gaza, leading states to fund domestic LEO rivals (Amazon Kuiper, China's GuoWang).
- M&A angle: Expect consolidation into state-backed consortia rather than free-market bidding.

Cloud & data localisation – sovereignty through storage

- Europe's GAIA-X project embodies the "sovereign cloud" agenda — ensuring sensitive data (health, government, defence) stays under EU jurisdiction.
- India, Indonesia, and Gulf states mandate certain datasets remain domestically hosted.
- M&A angle: Hyperscalers are forming local JVs — e.g., AWS with Indian conglomerates, Microsoft with German providers — rather than acquiring outright, to comply with localisation laws.

AI as a sovereignty race

- In 2023–24, the US restricted exports of NVIDIA and AMD's most advanced AI chips to China.

- China responded by accelerating domestic chip (Huawei Ascend) and model development (Baidu Ernie).
- The EU AI Act (2025) is the first comprehensive AI regulation globally — requiring transparency in training data, restricting biometric surveillance, and imposing "red-line" bans on certain uses.
- M&A angle: Cross-border AI deals (e.g., US–China joint ventures) are near-impossible. Instead, we see regional champions backed by sovereign capital (e.g., Middle Eastern SWFs investing in local AI start-ups).

M&A Implications

1. Execution risk: National security reviews now extend beyond defence into chips, data centres, and even gaming IP. A deal can be derailed by CFIUS (US), SAMR (China), or the EU's screening mechanism.
2. Regionalisation of strategy: Corporates adopt "in-market for-market" — acquiring local firms to meet sovereignty rules (e.g., European telcos partnering with AWS for sovereign cloud).
3. Rise of domestic champions: Sovereign wealth funds (Mubadala, GIC, Temasek) increasingly fund local AI and cloud firms, reducing reliance on foreign acquirers.
4. Alternative deal structures: Instead of full acquisitions, expect minority stakes, JVs, or licensing agreements to bypass sovereignty hurdles.

Examples

- Blocked: NVIDIA–Arm (2022), a casualty of sovereignty concerns in the UK, EU, and US.
- Restructured: Microsoft–Activision Blizzard (2022–23) required behavioural remedies, partly due to UK CMA scepticism over cloud gaming concentration.
- Encouraged: TSMC's $40bn Arizona fab project (backed by US subsidies).
- JV model: Microsoft, Google, and AWS all formed sovereign-cloud partnerships with European providers (2023–25).
- Divestment pressure: TikTok's US operations face ongoing forced-sale threats (2020–25).

Implications

- For corporates: Regulatory and political feasibility is now a gating factor equal to valuation. Dealmakers must map sovereignty rules across multiple jurisdictions.
- For investors: Cross-border arbitrage opportunities are narrowing. Domestic or regional plays carry less political risk.
- For policymakers: Pursuing sovereignty ensures resilience but risks duplication (multiple subsidy-backed fabs, fragmented standards).

Capital Availability & Interest Rates

Context
M&A is ultimately about access to capital. Even the most strategically sound deal can only close if buyers can finance it. In TMT, financing conditions are particularly sensitive because:

- Megadeals are common: $10–50bn transactions (Microsoft–Activision, Broadcom–VMware) require huge financing capacity.
- Valuations are high: Intangible-heavy firms (software, platforms, semiconductors) often trade on growth multiples rather than cashflows, requiring creative structuring.
- Private equity (PE) is active: TMT, especially digital infrastructure, is a top target for PE funds, making debt financing availability critical.

Historically, abundant liquidity in the 2010s low-rate era underpinned record TMT M&A volumes. By contrast, the 2022–23 interest rate shock tightened financing, causing deal volumes to slump globally.

2025 Lens

In 2025, financing conditions are mixed but improving, creating selective opportunities for dealmakers:

- Interest rates: After a rapid tightening cycle (2022–23), rates plateaued in 2024. The Fed and ECB are expected to cut gradually in late 2025 as inflation stabilises (Morgan Stanley, Global Macro Outlook 2025, p. 3).

- Debt markets: Leveraged loan and high-yield issuance, which froze in 2022, have reopened in 2024–25. Banks are again underwriting multi-billion acquisition loans, though at higher spreads.

- Private credit: Has emerged as a dominant lender in TMT deals. PE sponsors increasingly bypass banks, sourcing mega-loans (>$5bn) from private credit funds (Apollo, Ares, Blackstone Credit).
- Equity markets: A rebound in IPO activity (Figma 2025, ARM 2023) has restored confidence. Strong IPOs provide corporates with new equity currency to pursue acquisitions.
- Corporate balance sheets: Big Tech remains cash-rich. Apple, Microsoft, Alphabet each hold >$100bn in reserves (Bloomberg, Tech Balance Sheet Tracker 2024, p. 8). This allows them to fund deals outright, without relying on debt.
- Valuation divergence:
    - Software/SaaS multiples remain elevated (8–12x revenues for top-tier SaaS).
    - Digital infrastructure (data centres, towers) trades at 15–20x EBITDA, supported by yield-seeking capital.
    - Telecom operators trade lower (6–8x EBITDA), making them potential consolidation targets.

M&A Implications

1. Mega-cap corporates (Big Tech)
    - Can finance acquisitions with cash reserves, bypassing tight credit markets.
    - M&A motivation is strategic (ecosystem control, AI partnerships) rather than financial necessity.
    - Example: Microsoft's $10bn+ OpenAI commitment (2023–25) was funded from balance sheet strength.
2. Private equity sponsors
    - Debt is more expensive, so PE focus has shifted from software buyouts (hard to lever at high valuations) to infrastructure (data centres, fibre, towers), where stable cashflows justify higher leverage.
    - Example: KKR and GIP's $15bn CyrusOne acquisition (2021) remains a template; in 2025, similar plays are in data centres adapted for AI workloads.
3. Early-stage tech (venture & growth)
    - After the 2022–23 "VC winter," capital has returned selectively, but investors demand clearer paths to profitability.

- Corporates are stepping in to acquire start-ups at lower valuations than during the 2020–21 bubble.

4. Deal structuring trends
   - Earn-outs & contingent payments: Especially in AI and biotech, where future performance is uncertain.
   - Minority stakes: To bypass antitrust or limit financial exposure.
   - All-equity deals: More common for Big Tech, reducing reliance on costly debt.

Examples

- Corporate strength: Apple's $3.6bn investment in Japan Display (2024) — cash-funded, securing its supply chain.
- Private equity & credit: Blackstone-led consortium's $8bn acquisition of QTS Realty (data centres, 2024) financed largely via private credit.
- IPO-to-M&A: Figma's $56bn IPO in July 2025 provides equity firepower to pursue bolt-on acquisitions in adjacent creative SaaS.
- Debt reopening: Banks underwriting Dell's acquisition of storage software firm Vast Data (rumoured 2025) shows financing windows are reopening.

Implications

- For corporates: Cash-rich strategics (Big Tech) enjoy a relative advantage, as they can execute deals without financing constraints. Smaller firms must be more creative in structuring.
- For investors: Infrastructure is the sweet spot — stable cashflows + AI-driven demand + private credit availability make it PE's preferred subsector.
- For policymakers: Cheap credit once fuelled megadeals; regulators now face the question of whether private credit's rise poses systemic risks in TMT financing.

Consumer Demand Cycles

Context
Unlike healthcare or utilities, the TMT sector is heavily demand-driven. Valuations and deal activity rise and fall based not only on technology waves (AI, cloud, mobile) but also on consumer and advertiser spending cycles.

Historically:

- Media: Advertising revenues dip sharply in recessions (dot-com crash 2001, GFC 2008, pandemic 2020). Recovery is usually rapid, but cyclicality creates deal timing opportunities.
- Devices: Hardware (smartphones, PCs, wearables) follows upgrade cycles linked to innovation waves (iPhone launch 2007, 4G rollout 2010s, 5G handsets 2020s).
- Telecom: Demand is more resilient (connectivity as a utility) but ARPU (average revenue per user) depends on consumer willingness to pay for faster networks.
- Gaming & entertainment: These are discretionary spends, booming during lockdowns (2020–21) but slowing when inflation squeezes budgets (2022–23).

This cyclicality shapes both valuations and M&A — corporates buy in downturns to capture assets cheaply, and sell or IPO in upswings when multiples expand.

2025 Lens

In 2025, consumer demand in TMT is recovering but uneven across subsectors:

- Advertising & media:
  - Global ad spend exceeded $600bn in 2024 (McKinsey, 2024).
  - Growth in 2025 is concentrated in digital ads (Google, Meta, TikTok), while traditional TV and print continue to decline.

- Streaming has plateaued in subscriber numbers; ARPU growth is now driven by bundling (Disney/ESPN) and ad-supported tiers (Netflix, Amazon Prime Video).

- Devices:
  - Smartphone shipments are flat in mature markets but growing in India, Africa, and SE Asia.
  - Wearables (smartwatches, health trackers) are offsetting handset saturation, with Apple and Samsung driving premium margins.
  - AI-enabled devices (AI PCs, "Copilot" laptops, Samsung Galaxy AI) are the 2025 upgrade trigger.

- Gaming & entertainment:
  - The gaming market remains above $200bn annually, with mobile leading growth (PwC, 2024).
  - Cloud gaming adoption is accelerating, boosted by Microsoft's Activision integration (Game Pass).
  - Esports audiences are plateauing, but in-game monetisation (skins, digital goods) is driving revenue per user.

- Telecom & connectivity:
  - 5.5bn mobile subscriptions globally (GSMA, 2024).
  - Consumers are reluctant to pay more for 5G unless bundled with content or devices.
  - Operators are experimenting with ARPU expansion through convergence — bundling fibre, mobile, and content.

M&A Implications

- Media & advertising:
  - Cyclicality drives consolidation — weak ad markets in 2022–23 triggered roll-ups of distressed digital media firms.
  - In 2025, stronger digital ad growth is supporting data-driven acquisitions, especially targeting adtech platforms and streaming bundles.

- Devices & consumer electronics:
  - Slower smartphone growth pushes OEMs to acquire niche tech (AI, biometrics, health tracking) to sustain ecosystem lock-in.
  - Example: Apple's consistent M&A in health sensors and AR glasses start-ups.

- Gaming:
  - IP is king — big acquisitions secure long-life franchises. Microsoft's Activision deal (2023) was a defining move; in 2025, Tencent and Sony are pursuing bolt-on acquisitions in mobile and immersive content.

- Telecoms:
  - Operators under ARPU pressure are merging to achieve scale — e.g., Orange–MasMovil (Spain, €19bn, 2022).
  - Expect further in-market consolidations in 2025, especially in Europe and Asia, to fund 5G/6G investment.

Examples

- Streaming consolidation: Warner Bros. Discovery restructuring post-merger to cut debt and retain subscribers.
- Adtech roll-ups: PE-backed acquisitions of programmatic platforms to capitalise on digital ad growth.
- Gaming IP consolidation: Sony and Tencent acquiring mid-sized studios to compete with Microsoft's Activision.
- Telecom bundling: Vodafone–Three UK merger (approved in May 2025) aims to strengthen ARPU via converged offerings.

Implications

- For corporates: Must adapt M&A to shifting demand cycles — buying when valuations dip in recessions, selling or IPO-ing when sentiment peaks.
- For investors: Timing is everything; deal success is tied to consumer recovery cycles more than in other sectors.
- For policymakers: Need to balance consumer protection (affordability, data privacy) with allowing consolidation that supports investment.

03

TMT Subsector DeepDive

Technology – The Digital Engine Room

Semiconductors – The Bottleneck of AI

Strategic Role
Semiconductors have moved from being cyclical industrial inputs to critical national security assets. They underpin AI models, telecom networks, defence systems, autonomous vehicles, and global cloud infrastructure. Policymakers now treat semiconductors as strategic levers, comparable to oil in the 20th century (McKinsey, 2024).

Market Structure & Supply Chain Fragility

- TSMC's dominance: In Q1 2025, TSMC controlled 67.6% of global pure-play foundry revenue, dwarfing Samsung at 7.7% (Taipei Times, 2025).
- ASML choke point: The Dutch company remains the world's sole supplier of EUV lithography machines, meaning US and EU fab expansions remain dependent on its supply chain (ASML, 2024).
- Capex intensity: A cutting-edge 2nm fab now costs $20–25bn to construct, raising barriers to entry and reinforcing concentration (Bain, 2024).

Technology Dynamics

- NVIDIA dominance: NVIDIA commands >80% of global AI GPU shipments. In July 2025, its market value surpassed $4trn, the first company to do so, underscoring investor belief in AI infrastructure (Reuters, 2025a).
- Next-gen accelerators: NVIDIA's Blackwell GPU (2024) enables trillion-parameter model training, setting the standard for generative AI workloads (AP News, 2025).
- Challengers: AMD's MI300 GPUs are scaling into data centres, Intel launched its Gaudi 3 accelerators, while Huawei's Ascend 910B aims to bypass US export restrictions (WCCFTech, 2025).

Hyperscaler verticalisation:

- Google deployed TPU v5p to train Gemini AI.
- Amazon released Trainium2 in 2024 to support AWS Bedrock.
- Microsoft unveiled Maia 100 (AI accelerator) and Cobalt 100 CPU to deepen vertical integration (Financial Times, 2024).

- Alternative architectures: Start-ups pursuing RISC-V, neuromorphic, and analog AI chips are receiving heavy venture and strategic backing (Bain, 2024).

Geopolitics

- US–China decoupling: The US extended bans on NVIDIA's H100/A100 and newer GPUs to China in 2023–24, forcing NVIDIA to ship downgraded H20 variants. This has constrained Chinese AI labs and accelerated Beijing's push for indigenous capacity (South China Morning Post, 2024).
- Industrial policy:
  - The US CHIPS Act ($52bn) has channelled billions into Intel and TSMC fabs in Arizona.
  - The EU Chips Act (€43bn) is funding capacity in Germany and Italy.
  - Japan has earmarked ~$13bn to subsidise Rapidus, its national champion in advanced nodes.
  - India has pledged $10bn+ incentives to lure foundries (PwC, 2025).
- Middle East strategies: Saudi Arabia and UAE are investing in fabs and AI datacentres as part of economic diversification.

M&A & Strategic Shifts

- Design tool consolidation:
  - Synopsys–Ansys ($35bn, 2024–25, pending Chinese approval) combines EDA software and multiphysics simulation, consolidating upstream design (Financial Times, 2025).
  - Renesas–Altium ($5.9bn, 2024) expanded Japan's chip design ecosystem.
- Capability buys:
  - AMD's $35bn acquisition of Xilinx (2022) broadened adaptive computing for AI/5G workloads.
  - NVIDIA acquired Canadian start-up CentML (2024) to enhance AI efficiency tooling (Bloomberg, 2024).
- JV/co-investment models: Microsoft and Amazon are co-financing capacity with TSMC and Samsung rather than outright acquisitions, given regulatory constraints.

Implications

- Corporates: Relying on NVIDIA and TSMC is strategically risky; M&A and JVs in alternative architectures and local fabs will be essential.
- Investors: Semiconductor valuations remain inflated, but scarcity value justifies premiums. Dealmakers must price geopolitical and regulatory risk into underwriting.
- Policymakers: Localisation improves resilience but increases costs. The real bottleneck is not only fabs but also supply chain elements (ASML, rare earths, packaging).

Software & Cloud – AI Turns Utility into Premium Service

Strategic Role & Market Context
Cloud has evolved from "discretionary IT" to being the core underlayer of modern enterprise operations. Hyperscalers—Microsoft Azure, Amazon Web Services (AWS), and Google Cloud—are now viewed as essential utilities. Generative AI is redefining this utility model by becoming the primary driver of revenue growth and stickiness in the cloud ecosystem (McKinsey, 2024).

Hyperscaler capital expenditures are projected to surge from $350 billion in 2025 to $402 billion in 2026, as the cloud giants intensify investment into AI infrastructure and services (MarketWatch, 2025). This escalation underscores how AI is not an optional add-on but central to the next growth phase.

Monetising AI: Embedded Value, Not Add-Ons
AI is no longer sold separately—it is bundled into existing SaaS and IaaS models, creating structural price increases without obvious churn risk.

- Microsoft has embedded Copilot across Office, Dynamics, and Teams, while rolling out pay-as-you-go licensing and even formula-style AI prompts within Excel (TechRadar, 2025; WindowsCentral, 2025).
- Google's Gemini is integrated into Workspace, upgrading search, productivity, and collaboration tools.
- AWS Bedrock offers foundation model APIs, allowing enterprises to incorporate Anthropic's Claude, Stability AI, and Cohere directly into workflows.

This bundling increases customer lock-in. For corporates, it means cloud spend is no longer discretionary OPEX but a rising structural cost tied directly to core business functions. For policymakers, it raises competition concerns about whether customers are "forced" into bundled AI ecosystems.

Cloud AI Market Growth

Analysts project that cloud AI services will exceed $300 billion by 2027 (PwC, 2025). The cloud AI services market alone is estimated at USD 89.4 billion in 2025, growing to USD 363.4 billion by 2030 at a 32.4% CAGR (Mordor Intelligence, 2025). Broader AI infrastructure and SaaS revenues could lift the entire AI economy from $372 billion in 2025 to over $2.4 trillion by 2032 (MarketsandMarkets, 2025).

This surge matters for investors. High valuations for cloud-native AI platforms may be justified because the economics are underpinned by durable enterprise subscriptions rather than consumer hype cycles. But investors must also account for policy risk—regulators in both the US and EU are scrutinising AI bundling within productivity suites.

Infrastructure Scaling & Data Centre Demand

The AI wave is also reshaping physical infrastructure. Demand for AI-ready data centres is projected to grow ~33% per year from 2023–2030, with 70% of future capacity needed to support AI workloads (McKinsey, 2024).

Hyperscalers are responding with unprecedented investment:

- Amazon's Project Rainier, a $100 billion programme, is building hyperscale AI datacentres powered by Trainium 2 chips, supporting both AWS Bedrock and Anthropic workloads (Time, 2025).
- Google announced $9 billion in new AI-focused infrastructure in Virginia for 2025–26.
- Microsoft has committed >$50 billion in FY2024 capex, continuing at scale into 2025.

For governments, this raises dual challenges: energy grid strain (hyperscalers are now among the world's largest power purchasers) and the geopolitics of data sovereignty.

M&A & Strategic Partnerships

M&A is the natural accelerant for AI adoption across cloud:

- Amazon's $4 billion staged investment in Anthropic (2024) made AWS its primary cloud and training partner, with talks to expand the deal to ~$8 billion (Amazon, 2024; Reuters, 2025).
- Google's partnership with Cohere (2024) reinforced its enterprise AI credibility, especially in regulated industries.
- Microsoft's hiring of Inflection AI's team (2024) effectively absorbed one of the most promising AI start-ups without a full acquisition.
- Cisco's $28 billion acquisition of Splunk (2024) expanded cloud observability and hybrid security, highlighting how infrastructure resilience is now tied to AI performance monitoring (Reuters, 2024).

For corporates, these moves illustrate that hyperscalers will not build everything in-house—they will selectively acquire capabilities that accelerate adoption or shore up security/compliance. For investors, M&A activity creates exit opportunities for AI middleware, cybersecurity, and vertical SaaS firms.

Regulatory & Sovereignty Impacts

The cloud AI boom is also creating regulatory flashpoints. The EU's Digital Markets Act (DMA) is forcing scrutiny of AI product bundling, while the UK's CMA is investigating whether Microsoft's OpenAI partnership constitutes anti-competitive behaviour.
Sovereign clouds are proliferating—France's OVHcloud and Germany's Telekom Cloud are offering regulated AI-ready services, while Gulf states are launching sovereign hyperscale ventures.
Policymakers face a balancing act: protecting competition and sovereignty without stifling innovation. For corporates and investors, this regulatory flux adds a layer of unpredictability in dealmaking and partnership strategies.

Consumer Electronics – Hardware Saturation, Ecosystem Monetisation

Market Trends: Smartphones & Wearables

Global smartphone shipments have plateaued, reflecting peak market penetration and cautious consumer sentiment. Canalys recorded a mere 0.2% increase in Q1 2025 (296.9 million units) with growth largely in emerging geographies. In Q2, shipments fell slightly to 288.9 million units, following six quarters of stagnation (Canalys, 2025). Counterpoint Research adjusted its full-year shipment growth to 1.9%, down from prior projections, citing tariff discipline and macroeconomic headwinds (Reuters, 2025).

While hardware growth slows in saturated regions, demand is shifting to India, Southeast Asia, and Africa, where smartphone adoption among first-time buyers and upgrades still fuels incremental gains.

In contrast, wearables—notably smartwatches and health trackers—are exhibiting strong growth, driven by health-conscious consumers and integration with digital ecosystems. This continues to be a rare bright spot in hardware.

AI-PCs: The Next Frontier of Device Innovation

2025 marks the AI-PC era, with mainstream device makers incorporating on-chip AI accelerators.

- At Computex 2025, Qualcomm showcased the Snapdragon X Elite chips powering AI-driven “Copilot+ PCs” from ASUS, HP, and others (TechRadar, 2025).
- Microsoft launched new Surface 13-inch laptops and Surface Pro tablets equipped with Snapdragon X Plus chips, priced competitively from $899 (Reuters, 2025).
- Intel introduced its Surface Laptop 7th Generation, embedding NPUs within Intel Core Ultra 5/7 processors and offering business models with 5G support (TechRepublic summary, 2025).

However, adoption faces non-technical hurdles: Intel’s own survey found that while 87% of IT decision-makers plan to deploy AI-PCs, only 35% of employees understand their value; overcoming security concerns and training gaps remain key to scaling adoption (WindowsCentral, 2025).

Ecosystem Monetisation: Decline of Hardware, Rise of Services

With hardware margins thinning, device companies are doubling down on services:

- Apple continues to lead this paradigm, with its Services segment (App Store, iCloud, Apple Music, etc.) comprising ~26% of overall revenue in 2024—a major strategic counterweight to iPhone plateaus (Business of Apps, 2025).

This shift underscores a deliberate transition from commodity hardware to recurring revenue models, anchoring ecosystems and smoothing volatility in product cycles.

M&A & Strategic Acquisitions

To differentiate in a mature hardware market, device makers are actively acquiring niche companies:

- AR/VR firms: ArborXR expanded its training analytics capabilities via acquisition of InformXR (2025). PitchBook reports nearly 500 M&A deals in AR/VR/XR since 2023, involving buyers like Apple, Meta, Snap, and Alphabet (PitchBook via NPCapital, 2025).
- Sensor startups: Innovation around biometric sensors, haptics, edge AI chips, and contextual awareness continues. Startups showcased breakthrough tech at Sensors Converge 2025, drawing attention from larger OEMs (Fierce Electronics, 2025).

These deals underscore hardware-makers' need to embed novel experiential, security, or health capabilities to maintain premium positioning.

Integrated Implications

For device manufacturers, M&A and platform strategies are no longer optional—they are essential to sustain differentiation amid flattening hardware growth. AI accelerators and sensor content are being acquired to create stickier ecosystems with higher-value use cases.

For enterprises, AI-PCs are emerging as productivity enablers, not gimmicks. However, deployment success depends on addressing employee capability gaps and security frameworks—otherwise, hardware upgrades may fail to drive real ROI.

For investors, service-led strategies within hardware firms signal better margin profiles and future resilience. Meanwhile, early-stage acquisitions in AR/VR and sensor innovation offer premium capture if integration executes well.

For policymakers, maintaining consumer choice is critical. As ecosystems coalesce around device brands and embedded AI, antitrust concerns may arise regarding app distribution, pre-installed services, and developer access—especially where monopolistic control over hardware layers intersects with software locks.

Frontier Technologies – AI, Quantum, Cybersecurity

Generative AI – From Model Race to Enterprise Platforms
Generative AI remains the single largest driver of frontier technology investment. In 2024, GenAI start-ups raised over $56bn across 885 deals, accounting for almost a third of all global venture funding (TechCrunch, 2025). Capital has now shifted beyond foundation models toward applied AI tools (coding copilots, healthcare AI, design assistants) and the middleware required for enterprise deployment such as data governance, evaluation, and safety systems (CB Insights, 2025).

The competitive landscape is consolidating around hyperscaler ecosystems. Microsoft's partnership with OpenAI has made Azure the default platform for GPT-based applications. The UK Competition and Markets Authority reviewed the alliance in 2025 but ruled it was not a merger, though EU regulators continue to scrutinise exclusivity arrangements (CMA, 2025). Amazon committed $4bn to Anthropic in 2024 and by mid-2025 had expanded its total stake to approximately $8bn, securing AWS as Anthropic's primary cloud and training partner (Amazon, 2024; Reuters, 2025). Google has partnered with Cohere to bolster its enterprise AI credentials (SiliconANGLE, 2024).

For corporates, the implication is that AI strategy now requires ecosystem alignment: firms must choose a primary hyperscaler for compute and model access, while ensuring contractual flexibility to avoid lock-in. For investors, M&A activity is clustering around AI middleware and applied vertical solutions, which are natural bolt-on targets for hyperscalers and cybersecurity platforms.

Quantum – Pre-Commercial but Strategically Critical

Quantum computing remains pre-commercial at scale, but strategic momentum has accelerated. McKinsey (2025) reports that governments committed nearly $10bn of new funding in early 2025, with Japan leading recent announcements, while venture investment into quantum start-ups exceeded $1.5bn in 2024.

Corporate progress is visible. IBM has released the “Heron” chip family and partnered with AMD to explore quantum-classical integration (IBD, 2025). Google continues work on superconducting architectures and hybrid quantum-AI workloads, while China’s Origin Quantum is scaling domestic machines to reduce dependence on foreign suppliers (IBD, 2025).

The most immediate business impact of quantum is cybersecurity risk. The US National Institute of Standards and Technology (NIST) finalised three post-quantum cryptography (PQC) standards in August 2024 (FIPS 203, 204, 205), with further algorithms added in 2025 (NIST, 2025). Migration cycles are lengthy, meaning regulated industries are already investing in crypto-agility programmes and secure key management. This creates near-term opportunities in identity, PKI, and hardware security modules.

Policymakers treat quantum as a national security technology. The US has extended outbound investment restrictions to quantum firms (AP News, 2024), while the EU continues to fund the Quantum Flagship programme and mandate PQC adoption. Cross-border M&A in this area will face stringent security screening.

Cybersecurity – AI Threats and Defensive Consolidation

The global cybersecurity market surpassed $200bn in 2025, with Gartner estimating $213bn spend this year and IDC projecting growth to $377bn by 2028 (Computer Weekly, 2025; IDC, 2025). Growth is driven by AI-enabled threats, cloud adoption, identity security, and regulatory mandates.

AI is reshaping both offence and defence. Attackers are deploying generative AI to automate phishing, exploit development, and fraud, while defenders use AI for detection, automated response, and attack-surface management. Boards are prioritising continuous control monitoring, software supply-chain integrity, and zero-trust architectures.

M&A is consolidating platforms to provide integrated coverage:

- Cisco completed its $28bn acquisition of Splunk (2024), creating a scaled observability-security player (Cisco, 2024).
- Thoma Bravo acquired Darktrace for $5.3bn (2024), reflecting investor conviction in AI-driven detection (Thoma Bravo, 2024).

- Palo Alto Networks expanded into secure browsing via Talon Cyber, while CrowdStrike bought Bionic (2023) and later Flow Security and Adaptive Shield (2024) to deepen SaaS and data protection (CrowdStrike, 2025).

For corporates, this means selecting integrated platforms to reduce vendor sprawl and accelerate AI-driven defence. For investors, premium valuations are concentrated in firms with mission-critical telemetry, high net dollar retention, and platform expansion potential. For policymakers, the challenge is balancing innovation with regulation, particularly as AI raises questions of accountability and data sovereignty.

M&A Dynamics in Technology

Semiconductors – Strategic IP, Architectures, and Foundry Access
Semiconductor M&A is constrained by high regulatory scrutiny but remains strategically essential. The US CFIUS and EU regulators have become especially sensitive to cross-border deals involving chip design, IP, and manufacturing.

- Design IP and accelerators are the most active space: established players seek exposure to alternative architectures such as RISC-V, neuromorphic, and analog compute. For example, Tenstorrent (backed by Hyundai and Samsung) has attracted investment for RISC-V CPU and AI accelerators (Financial Times, 2024).
- EDA and simulation tools are consolidating: Synopsys's $35bn acquisition of Ansys (2024, pending clearance) demonstrates the race to control design workflows critical for AI/5G-era chips (FT, 2025).
- Foundry partnerships are increasingly structured as joint ventures rather than acquisitions. TSMC and Samsung remain largely unacquirable, but corporates and governments are investing alongside them (e.g., TSMC–Sony JV in Japan; TSMC–Intel collaborations in Arizona) to secure long-term capacity (Taipei Times, 2025).

Implication: For corporates, bolt-on IP/design acquisitions and JVs for fab access are essential. For investors, semis remain the highest-regulated and most geopolitically exposed M&A vertical.

Cloud – AI Middleware, Cybersecurity, and Vertical SaaS
M&A in cloud is oriented around capability extension. With hyperscalers vertically integrating compute, model access, and SaaS, acquisitions provide the missing layers.

- Cybersecurity: Cloud providers are buying managed detection and data security firms to reinforce trust. Microsoft's acquisition of Mandiant (2022) (since folded into Google Cloud through subsequent restructuring) underscores the centrality of incident response to cloud positioning.
- AI middleware: Hyperscalers are investing in AI evaluation, governance, and orchestration firms. These tuck-ins improve enterprise adoption by making GenAI safer and compliant.
- Vertical SaaS: Cloud players target industry-specific SaaS platforms—e.g., healthcare AI, financial services automation—to differentiate ecosystems and drive deeper lock-in.

Implication: Corporates must pursue M&A to offer end-to-end stacks. For investors, vertical SaaS with AI integration remains a prime target for strategic exits.

Consumer Electronics – Defensive Differentiation
In a saturated hardware market, acquisitions are primarily defensive: they allow incumbents to add features that sustain pricing power and ecosystem loyalty.

- AR/VR: Apple's Vision Pro (2024 launch) highlights the need for immersive tech. Apple has acquired dozens of AR/VR firms since 2017, continuing into 2025 with AR sensor and optics start-ups to reinforce its headset platform (Bloomberg, 2024).
- Biometric and health tracking: The smartwatch/health device segment is expanding into blood glucose monitoring, cardiac sensors, and stress tracking. Apple, Samsung, and Google have all pursued start-ups in these niches to defend ecosystem stickiness (Fierce Electronics, 2025).
- AI-PC peripherals: With the AI-PC wave, PC OEMs are seeking acquisitions of camera, microphone, and edge-AI sensor firms to differentiate enterprise devices.

Implication: Expect bolt-on acquisitions of small, IP-rich start-ups that add one or two unique features, rather than large-scale consolidation.

Frontier Technologies – Minority Stakes and Joint Ventures
Unlike semis or consumer electronics, frontier technologies (AI, quantum, cybersecurity) often see strategic investments or partnerships rather than outright acquisitions, due to valuation inflation and regulatory barriers.

- Generative AI:
    - Microsoft–OpenAI: Microsoft has invested over $13bn in staged funding, securing priority Azure deployment rights and integration of GPT into Office, Dynamics, and Bing (FT, 2024).

- Amazon–Anthropic: AWS's staged $4bn+ investment has designated AWS as Anthropic's preferred cloud and hardware partner, anchoring Claude model integration into Bedrock (Amazon, 2024).
- Google–Cohere: A multi-year strategic partnership provides Google Cloud with access to enterprise-grade LLMs (SiliconANGLE, 2024).
- Quantum: Most deals take the form of government-backed consortia or R&D JVs (IBM–Cleveland Clinic, IBM–AMD collaboration). Outright acquisitions are rare, given strategic sensitivity.
- Cybersecurity: Private equity remains highly active (e.g., Thoma Bravo's $5.3bn take-private of Darktrace in 2024), while corporates focus on bolt-on AI-native tools that integrate with broader security platforms.
- Implication: In frontier tech, large corporates prefer minority stakes, JVs, and ecosystem partnerships to manage risk and regulatory exposure. Investors should expect exits through these strategic alliances rather than traditional trade sales.

Implications

- Corporates: Continuous M&A is mandatory. Falling behind in semis, AI, or cloud risks ecosystem irrelevance.
- Investors: Semiconductor and frontier tech deals carry the greatest geopolitical/regulatory risk — but also the highest potential returns.
- Policymakers: Subsidy-driven regionalisation (CHIPS Acts) will shift M&A from cross-border to local alliances and JVs.

Media & Entertainment – Content Under Pressure

Film, TV & Streaming: From Growth-at-All-Costs to Efficiency

From Overcapacity to Profit Discipline
Between 2019 and 2023, the “streaming wars” created severe overcapacity. Every major studio launched a direct-to-consumer platform, collectively spending tens of billions on original content to acquire subscribers. By 2025, subscriber growth in developed markets has plateaued, forcing a pivot from expansion to efficiency. The industry now prioritises average revenue per user (ARPU), churn reduction, and ad monetisation over raw scale (Netflix, 2025; Disney, 2025).

Price Rises as a Strategic Lever
The first lever has been systematic price increases. Netflix raised its US Standard ad-free plan to $17.99 in January 2025, while maintaining its ad-supported tier at $7.99 (The Verge, 2025; ABC News, 2025). Rivals followed: Max, Discovery+ and Peacock all increased subscription fees in late 2024 and early 2025 (NewscastStudio, 2024; Reuters, 2025a). For corporates, the implication is clear: profitability depends less on subscriber volume and more on the pricing power of exclusive IP. For investors, valuations hinge on the sustainability of these ARPU gains.

The Rise of Ad-Supported Streaming
A second structural shift is the explosive growth of ad-supported tiers. By mid-2025, nearly half of all streaming subscriptions in the US where an ad-tier exists were ad-supported (Antenna via The Verge, 2025). Netflix now counts 94 million monthly ad-tier users and expects its ad revenue to more than double in 2025 (LA Times, 2025). Amazon further entrenched the trend by making ads the default in Prime Video in 2024, with subscribers required to pay extra to opt out (Reuters, 2023; Reuters, 2025c).

For corporates, this means that streaming has reverted to a blended SVOD + AVOD model, resembling legacy TV economics. For advertisers, connected TV offers premium, targeted inventory at scale, but demands credible measurement and brand safety. For regulators, ad data usage raises privacy and competition concerns.

Bundling and Aggregation Return

A third development is the return of bundles and aggregators. In 2024, Verizon launched a Netflix + Max bundle for $10/month, while Comcast rolled out StreamSaver (Netflix, Peacock, Apple TV+) at $15/month (Reuters, 2023; Comcast, 2024). In 2025, Disney went further, launching ESPN Unlimited as a direct-to-consumer service and bundling it with Disney+ and Hulu for $29.99/month (ESPN, 2025).

For platforms, bundles reduce churn and customer acquisition costs. For telcos and broadband providers, they restore their role as aggregators of attention, regaining margin once lost to direct-to-consumer platforms. For consumers, bundling tempers subscription fatigue.

IP Ownership and Windowing Flexibility

In the 2010s, exclusivity was sacred. By 2025, studios are pragmatically re-licensing catalogue content to rivals to monetise underused libraries. For example, Warner Bros. Discovery licensed HBO series such as Insecure and Band of Brothers to Netflix in 2023–2024 (Vulture, 2023; Consequence, 2023). Disney too has rebalanced its library exploitation to shore up its DTC profitability (Disney, 2024).

The implication: scale in IP libraries remains the only defensible differentiation, but the monetisation model has evolved from exclusivity to hybrid windowing that maximises yield while keeping flagship titles locked to in-house services.

Live Sports as the Premium Flywheel

Live sports are now the engagement and ad anchor for streaming. Netflix entered the rights market with a 10-year, $5bn WWE deal starting 2025 and secured NFL Christmas games through 2026 (Reuters, 2024a; Reuters, 2024b). The 2024 Christmas Day games became the most-streamed day in US history (Reuters, 2025b). Disney's ESPN Unlimited launch consolidates live sports under a single app while leveraging bundling for distribution (ESPN, 2025).

Sports rights matter because they generate appointment viewing and premium ad slots, driving both ad revenue and subscription stickiness. For corporates, the challenge is balancing rights inflation with return on engagement. For investors, sports-linked streaming is a hedge against churn cycles. For policymakers, competition scrutiny will focus on access and consumer pricing.

M&A Dynamics
M&A strategy in streaming is now scale + efficiency driven:

- Library acquisitions and catalogue deals remain central to differentiation, especially as advertising becomes a growth engine.
- Sports rights partnerships (e.g., multi-partner NFL or NBA packages) act as synthetic M&A, pooling distribution power without triggering antitrust alarms.
- Telco and cable bundles (e.g., Verizon, Comcast) function as de-facto distribution M&A, redistributing margin across the value chain.
- Studio consolidation remains politically fraught, but targeted acquisitions of evergreen IP producers (children's content, procedurals, reality) remain highly strategic.

Gaming – IP Consolidation & Cloud Expansion

Market Scale & Structure
The global video games market is approaching $189 billion in 2025, up from about $188 billion in 2024 (Newzoo, 2025). PwC projects continued growth to $205 billion by 2026, with video games and esports in the U.S. alone contributing $62.8 billion in 2024 and expected to reach $87.4 billion by 2029 (PwC via GamesBeat, 2025). These trends are fueled by mobile gaming dominance—especially in emerging markets—subscription models, and in-game monetisation (Newzoo, 2025; PwC via GamesBeat, 2025).
Franchise IP remains at the core of economics. Titles like Call of Duty, FIFA, Fortnite, and Minecraft generate decades of revenue via sequels, DLCs, in-game purchases, live events, and merchandising. This recurring value underpins strategic consolidation—IP equity drives dealmaking, not just distribution.

2025 Dynamics: Cloud, Mobile, Esports
Cloud Gaming is accelerating rapidly. It grew from $2.27 billion in 2024 to a forecasted $3.36 billion in 2025, and could reach $21 billion by 2030 (Grand View Research, 2025). Other estimates project even steeper CAGR (e.g., $9.71 billion in 2024 to $15.74 billion in 2025, growing to $121.77 billion by 2032; Fortune Business Insights, 2025). This surge is powered by 5G penetration and rising demand for console-quality gaming without hardware.

Mobile gaming continues to dominate revenues, particularly in Asia—China alone accounts for over 31% of global mobile gaming revenue (~$40 billion).Games like Honor of Kings enjoy massive global adoption backed by Tencent/NetEase innovation and localization strategies.
Esports is maturing, not shriveling. Global esports revenue is estimated at $3–3.5 billion in 2025, projected to grow to $6–13 billion by 2032 (Coherent Market Insights, 2025; Future Market Insights, 2025). Growth is fueled by mobile esports in Asia-Pacific (CAGR ~27%), while Western markets increasingly monetize through advertising and media rights as sponsorship plateaus (Business Research Company, 2025; Future Market Insights, 2025).

M&A Trends: studios, cloud, and IP
Publisher consolidation is strategic, not defensive. Microsoft's acquisition of Activision Blizzard (2023) for $69 billion granted Xbox Game Pass immediate access to powerhouse franchises like Call of Duty—but was blocked by the UK CMA over monopoly concerns (Investopedia, 2023). The lesson: IP is power—but regulators are watchful.
Cloud infrastructure deals are rising. Tencent's cloud expansion, including partnerships in Middle East, Southeast Asia, and hosting for high-profile games, underscores the vertical integration trend

Subscription and service models are also reshaping investments. U.S. subscription gaming (e.g., Game Pass, PlayStation Plus) generated $6.6 billion in 2024, forecast to hit $9.9 billion by 2029 (PwC via GamesBeat, 2025). Studios are acquiring or consolidating to offer curated libraries as services.

Niche IP acquisitions remain a playbook: franchises with persistent fandoms (e.g., racing, sports, narrative) are M&A targets for ecosystem synergy and cross-platform support.
Strategic Implications

For corporates, owning franchise IP is table stakes. Bundling that IP into cloud subscription services (like Game Pass) or mobile ecosystems creates stronger monetisation and customer lock-in. Ensuring infrastructure via cloud M&A (Tencent, AWS, Microsoft) enables global scalability.
For investors, studios with high-margin engines—franchise and subscription—offer resilient returns. Cloud gaming and mobile remain high-growth areas; exposure through infrastructure plays or IP-heavy targets is compelling.
For policymakers, consolidation driven by IP control and cloud infrastructure raises antitrust flags—especially in Europe. Balancing innovation with competition will require zip-in regulatory frameworks.

Music & Publishing – Financialisation of Catalogues

Streaming's Value Is in the Back Catalogues
Although streaming platforms like Spotify and Apple Music dominate distribution, the majority of revenue and margin accrues to rights holders — namely music labels and catalogue owners. Exhibiting this, 2024 label streaming revenue for the Major Three (Universal, Sony, Warner) reached US$19.0 billion, a record high that underscores their enduring claim on royalties (IFPI, 2025).
As streaming channels proliferated, numerous legacy and independent catalogues transformed from passive IP holdings into predictable, contractual cashflows, attracting investors who value capital preservation and long-duration yield. This financialisation of music IP hinges on the autonomy of catalogues from streaming cycles and their defensibility as legal rights-based assets.

Catalogues Become Asset Class
2025 continues to see catalogue acquisition as mainstream investment strategy. Major players include:

- Hipgnosis, despite restructuring debt in 2024, continues acquiring strategically priced catalogues (Billboard, 2025).
- Concord Music acquired John Legend's catalogue in 2024 (estimated >$50 million) and acquired parts of Prince's estate in 2025 (Music Business Worldwide, 2025).

- Universal Music Group made smaller strategic purchases, plus reacquired the David Bowie and Queen catalogue from Hipgnosis in 2023, securing legacy IP for future exploitation (Variety, 2025).
- Private equity firms and sovereign investors remain active — catalogues offer uncorrelated returns compared to traditional fixed income, especially relevant in the 5–7% yield environment. HSBC estimated catalogue IRRs at 8–12%, beating government bond yields (HSBC Wealth, 2025).

Although investors sometimes express concern over aggressive valuations — as seen in Hipgnosis's strain from high-leverage deals — demand persists, as catalogues are seen as defensive, yield-generating assets that are inflation-resistant and media-agnostic.

AI Disruption Adds Premium to Clean, Licensed IP

The rise of AI-trained music models has intensified debates on copyright and licensing. Unauthorized scraping of song lyrics or compositions for AI training has drawn legal scrutiny; labels are now marketing AI-safe, fully licensed catalogue packages for training, sampling, and generative applications.

For instance, BMG has established an AI licensing program, explicitly offering clean, properly cleared music IP for model training, while Concord and Universal are exploring premium licensing deals for data science and AI partners (Music Business Worldwide, 2025; Variety, 2025). This has created a rising licence premium for protected IP — extending value beyond traditional uses and institutionalising catalogue securitisation for the AI age.

Strategic M&A Drivers

- Labels and rights holders continue to buy IP that demonstrates cross-media leverage (e.g., music that can drive film scores, ads, gaming syncs).
- IP owners are packaging catalogue access into live/virtual concert licensing, advertising, and gaming deals — increasing monetisation avenues beyond streaming.
- Multi-stage acquisitions via earn-outs and royalty rights swaps are growing in prevalence, allowing flexible alignment of seller/risk and enabling investment even under tight capital constraints.

These trends mean catalogues remain a core hedge for institutional investors and a strategic asset for publishers looking to hedge streaming volatility with diversified income streams.

M&A Dynamics in Media & Entertainment

Streaming – Scale, IP and Exit Pressures
M&A in streaming is driven by the imperative to own "must-have" IP and achieve operational scale. The economics of streaming are dominated by content amortisation and subscriber retention — meaning only platforms with extensive catalogues and high ARPU can survive.

- Stronger players bulk up: Disney's $71bn acquisition of Fox (2019) remains the benchmark deal that gave Disney+ its critical library. More recently, Warner Bros. Discovery has focused on consolidating assets and cutting costs post-merger (Reuters, 2025).
- Weaker players exit or merge: Paramount Global has been in ongoing talks to sell or restructure its streaming assets in 2024–2025 amid debt burdens and high content costs (FT, 2024).
- Ad-supported economics: With ad-tiers becoming mainstream, catalogue depth now translates directly into ad inventory scale, creating pressure for consolidation in mid-tier players (LA Times, 2025).

Implication: Expect library-driven M&A rather than mega-mergers. Scale players will either pick up distressed rivals' catalogues or enter licensing alliances (e.g., Warner licensing HBO shows to Netflix) to improve ROI without new debt (Vulture, 2023).

Gaming – Studio Acquisitions over In-House IP
Gaming M&A continues to be dominated by strategic buyers—platform operators and publishers—seeking franchise ownership. Developing original IP in-house carries high risk (most titles fail commercially), while acquiring studios with established franchises provides recurring revenue and lowers development risk.

- Microsoft's $69bn acquisition of Activision Blizzard (2023) remains the most consequential gaming deal in history, reshaping subscription gaming (Investopedia, 2023).
- Sony has steadily acquired or partnered with mid-size studios (e.g., Bungie in 2022, Haven in 2023) to strengthen exclusive content pipelines.
- Tencent continues its global buying spree, investing in both majority stakes (e.g., Supercell) and minority positions in European and Asian developers, leveraging its dominant China distribution (Newzoo, 2025).

Implication: In 2025, expect fewer megadeals (due to regulatory scrutiny) and more targeted studio acquisitions to shore up Game Pass, PlayStation Plus, and mobile ecosystems. Investors can anticipate premium multiples for studios with enduring franchises or strong cross-platform potential.

Music – Catalogues as an Asset Class
Music rights have been transformed into a mainstream financial asset class. Catalogue acquisitions are now led not just by labels but by private equity sponsors, pension funds, and sovereign wealth funds (SWFs).

- Hipgnosis continues restructuring but remains active in selective deals, highlighting both investor appetite and valuation scrutiny (Billboard, 2025).
- Concord and Universal have expanded holdings through targeted catalogue purchases (Variety, 2025).
- Private capital views catalogues as defensive, uncorrelated yield assets: HSBC estimates catalogue internal rates of return (IRR) at 8–12%, outperforming bonds in a high-rate environment (HSBC Wealth, 2025).
- AI licensing premium: As copyright litigation intensifies, catalogues with clean, "AI-trainable" data are commanding higher valuations (Music Business Worldwide, 2025).

Implication: For corporates, catalogue deals remain the ultimate hedge against streaming volatility. For financial sponsors, catalogues are part of a long-duration income strategy, similar to infrastructure or real estate assets. For policymakers, market concentration raises concerns over artist compensation and IP equity.

Implications

- Corporates:
  - Streaming players must shift to operational efficiency — raising ARPU, reducing churn, bundling, and monetising ads.
  - Gaming publishers must consolidate IP or risk being priced out of subscription ecosystems.
  - Labels must adapt to AI disruption, monetising catalogues not only in streaming but in licensing for AI, gaming, and immersive content.
- Investors:
  - Streaming: Debt burdens and capex intensity make equity riskier; deals focus on synergies and cost takeout.

    - Gaming: High-growth, but requires long-term IP bets; valuation volatility is tied to hit cycles.
    - Music: Royalty cashflows are becoming a defensive alternative asset class, attractive in high-rate environments.
- Policymakers:
    - Antitrust focus on vertical integration (content + distribution under one roof).
    - Copyright frameworks for AI will define future catalogue values.
    - Consumer affordability concerns (streaming price hikes) may trigger political pressure in saturated markets.

Telecommunications – Capital Intensity Meets Geopolitics

2025 Lens

1) 5G Standalone (SA) + Enterprise Monetisation (still emerging)
Telcos are finally deploying 5G Standalone cores at scale in 2025, enabling network slicing, ultra-low latency, and differentiated SLAs. But unlike 3G/4G cycles, consumer monetisation has been limited — "faster speed" alone has not lifted ARPU in saturated markets.

- Enterprise-first models: Revenue opportunities are concentrated in manufacturing automation, smart ports, logistics, and healthcare. Early use cases include connected factories (e.g., Bosch, Siemens) and digital twins in aerospace/automotive, supported by private 5G deployments.
- Edge computing partnerships: Hyperscalers (AWS Wavelength, Azure for Operators, Google Distributed Cloud Edge) colocate workloads near the user, enabling real-time industrial applications like AR/VR for training, computer vision in logistics, and remote-controlled robotics.
- M&A dynamics: Operators are acquiring or investing in systems integrators, campus network specialists, and orchestration software firms to accelerate enterprise 5G adoption. Private equity is also backing neutral host private 5G providers as enterprises prefer managed services over DIY spectrum ownership.

2) Open RAN + Vendor Diversification
Historically dominated by Ericsson, Nokia, and Huawei, the radio access vendor market is being disrupted by Open RAN architectures, which disaggregate hardware and software.

- Pilots to scaled rollouts: Vodafone, Telefónica, and Rakuten Mobile are scaling pilots in urban and rural zones. Open RAN promises lower TCO and supply chain resilience but introduces integration complexity.

- Vendor diversification: US and Japanese players (Mavenir, NEC, Fujitsu) and start-ups (Parallel Wireless) are expanding share. Telcos are hedging geopolitical risk by reducing dependence on Chinese vendors.
- M&A dynamics: Expect bolt-on acquisitions in RAN software stacks, integration specialists, and testing firms. Hyperscalers may selectively acquire orchestration software to tie edge workloads directly into the network layer.

3) Fibre Flywheel & Copper Switch-Off

FTTH (Fibre-to-the-Home) remains the single most important infrastructure program for fixed operators. Fibre penetration reduces churn and raises ARPU by enabling higher-speed tiers and converged offers.

- Copper switch-off programs (e.g., BT Openreach in the UK, Deutsche Telekom in Germany) significantly lower opex costs (maintenance, energy), freeing balance sheet headroom.
- Altnets under financial stress: In fragmented markets like the UK, Spain, and Italy, alternative network (altnet) operators are under refinancing pressure due to higher rates and construction costs. This is catalysing roll-up activity by infra funds and incumbents.
- M&A dynamics: Expect local consolidation waves where smaller fibre players are absorbed into larger open access platforms. Investors favour operators with strong take-up density and wholesale anchor contracts.

4) LEO Satellites & Direct-to-Device (NTN)

Low-Earth Orbit (LEO) constellations are reshaping connectivity economics in rural, maritime, and aviation markets.

- Starlink, Kuiper, and GuoWang (China) dominate 2025 deployments. Starlink operates >5,000 satellites and Kuiper has begun commercial pilots.
- Direct-to-device (D2D) capability: With 3GPP Release 17/18, satellite-to-smartphone becomes technically feasible. Early use cases: emergency messaging and IoT telemetry. Later, richer services (voice, low-bandwidth browsing) may emerge.
- Telco dilemma: Resell vs compete. Operators can partner with LEO providers to offer coverage extensions, or launch JVs to retain customer ownership.
- M&A dynamics: Rather than outright acquisitions, deals are expected as JV partnerships, minority investments, and distribution agreements, since satellite constellations are too capital-intensive for most telcos.

5) Subsea Cables as National Security Assets
Around 95% of global international traffic still traverses subsea fibre optic cables. These assets have become strategic chokepoints.

- Big Tech's dominance: Google, Meta, Microsoft, and Amazon are now co-financing or directly owning subsea capacity, bypassing carriers and securing resilience for hyperscale data demand.
- Geopolitical screening: Governments now treat subsea infrastructure as a national security concern, scrutinising foreign investment to mitigate espionage and sabotage risks. Tensions in the South China Sea and Indo-Pacific are driving redundant builds.
- M&A dynamics: Deals focus on consortium capacity stakes or co-financed builds with infra funds. Few outright acquisitions occur, but policy-driven screening influences which bidders are approved. For carriers, minority capacity sales are a lever to recycle capital.

6) Energy & ESG Constraints
Telecom infrastructure is energy-intensive: RAN and data transport account for 20–25% of operator opex in some markets. Rising energy costs and decarbonisation mandates make this a board-level strategic issue.

- Energy-saving technologies: Operators are deploying RAN sleep modes, massive-MIMO optimisation, and AI-driven power management. Vendors like Ericsson and Nokia are embedding energy efficiency into new radio generations.
- Green power procurement: Long-term renewable PPAs (power purchase agreements) are becoming standard for large operators.
- M&A dynamics: Energy pressure encourages neutral host and tower carve-outs—operators share sites to reduce both emissions and cost. Investors with green infra mandates are prioritising telcos and towercos that demonstrate credible decarbonisation pathways.

M&A Dynamics: The Five Active Playbooks in 2025

1) In-Market Consolidation – scale as survival strategy
Consolidation within national markets remains the most visible theme. Telcos face flat ARPU, high spectrum costs, and 15–20% revenue capex intensity, making scale critical to improve returns.

- Rationale: Larger merged operators can pool spectrum, share 5G/FTTH rollout costs, reduce site overlap, and strengthen bargaining power with regulators and vendors.
- Example: Orange–MasMovil (€19bn, 2022) in Spain created a stronger #2 player to rival Telefónica. In 2025, Vodafone–Three UK awaits final approvals, justified on the basis of densifying 5G networks and accelerating rural fibre (EY, 2024).
- Regulatory reality: Regulators now accept that "four-to-three" consolidation may be necessary in saturated European markets, provided remedies like MVNO access, wholesale fibre leasing, and spectrum divestitures are offered.

Implication: Consolidation is less about empire-building and more about preserving capital efficiency. For investors, returns hinge on execution of synergies (opex/capex savings) rather than revenue uplift.

2) Infrastructure Carve-Outs – deleveraging through asset monetisation
Telcos continue to carve out passive infrastructure (towers, fibre, data centres) to release capital for 5G and FTTH investments.

- Rationale: Passive infra offers predictable, inflation-linked cashflows that infrastructure funds, pension investors, and sovereign wealth funds are eager to own.
- Example: Vodafone's Vantage Towers (€16bn, 2022) stake sale to KKR/GIP exemplified this. Similar deals by Deutsche Telekom (GD Towers stake to Brookfield/Magenta) show a consistent model: operators retain minority stakes while deleveraging balance sheets.
- What's changing in 2025: Energy costs and ESG constraints are becoming central — infra investors increasingly demand green PPAs, site-sharing efficiencies, and liquid cooling readiness before closing deals.

Implication: Carve-outs provide telcos with liquidity but reduce long-term control. For investors, the risk is overpaying for contracted cashflows in a higher-rate environment; careful underwriting of tenancy growth and energy pass-throughs is vital.

3) Neutral Host & Indoor Networks – the rise of shared coverage
Demand for seamless coverage in airports, metros, stadiums, campuses, and enterprise venues is accelerating. No single MNO can profitably deploy bespoke systems in each location, making neutral host operators increasingly attractive.

- Rationale: Shared infrastructure reduces duplication, speeds up deployment, and improves economics for all operators. Neutral hosts also monetise across multiple tenants.
- Roll-up opportunity: The sector is fragmented, with many local indoor DAS (Distributed Antenna System) and small-cell providers. Private equity and infra funds see scope for buy-and-build platforms to scale national and regional neutral hosts.
- Example: US and EU airport DAS roll-ups, as well as Cellnex's acquisition of small-cell portfolios in Europe, highlight investor appetite for this niche.

Implication: Neutral hosts are an emerging high-growth subsector of digital infra M&A. Investors must assess multi-operator tenancy potential, venue contracts, and technology-readiness (5G, Wi-Fi 6E, private 5G support).

4) Enterprise 5G/Edge Capability Buys – chasing the enterprise wallet
As consumer ARPU stagnates, telcos are pivoting to enterprise and industrial monetisation. This requires capabilities beyond traditional network build-outs.

- Targets: Systems integrators, campus network specialists, private 5G OEMs, and software firms building orchestration platforms (core slicing, MEC orchestration, observability tools).
- Hyperscaler JVs: AWS, Microsoft, and Google prefer to partner or take minority stakes rather than acquire outright, keeping alignment with telcos. Expect joint ventures around enterprise verticals (ports, automotive, healthcare).
- Examples: Telefónica Tech's acquisitions of cybersecurity and cloud integrators; Verizon's investments into private 5G campus specialists in the US.

Implication: For corporates, M&A here is about talent and vertical expertise rather than raw scale. For investors, returns are less annuity-like and more growth-driven — tied to penetration of enterprise digitalisation budgets.

5) Fibre Altnet Roll-Ups – consolidation of fragmented markets
The fibre boom of the 2020s created thousands of alternative network (altnet) operators, particularly in the UK, Spain, Germany, and Italy. By 2025, many are under financial stress due to:

- Rising financing costs (higher interest rates).
- Construction risk (delays, inflation in labour/materials).

- Overbuild competition from incumbents and rivals.
- Rationale: Rolling up fragmented altnets into larger open-access wholesale platforms improves economics, spreads build risk, and raises penetration rates.
- Examples: CityFibre's expansion in the UK (backed by Mubadala/Antin) and InfraVia's fibre platforms in France and Spain.
- M&A trend: Infra funds and large telcos are selectively acquiring distressed altnets at lower valuations, creating buy/build fibre platforms with national coverage.

Implication: Fibre roll-ups are attractive to infra investors seeking defensive cashflows, but execution risk around take-up density and regulatory pricing must be carefully modelled. For policymakers, roll-ups must balance efficiency with avoiding regional monopolies.

Implications (2025)

- Corporates: Choose a lane—scale via merger, de-lever via infra carve-outs, or differentiate via enterprise 5G/edge. Content verticalization is out of favour unless it's tightly synergetic.
- Investors:Towers/fiber remain defensive (contracted cashflows, inflation-linking). Altnet roll-ups can be attractive if build risk is contained and take-up is proven.
- Policymakers: Must balance consumer pricing with investment incentives; national security scrutiny is now routine for network, satellite, and subsea assets.

Internet & Digital Platforms - Gatekeepers of the Digital Economy

2025 Lens

1) Privacy & signal loss are rewiring adtech
Apple's App Tracking Transparency (ATT) permanently shifted performance spend toward first-party data, modeled attribution, and clean rooms. By 2025, iOS ad spend has stabilised, but measurement now relies on SKAdNetwork, media mix modeling (MMM), and cohort-level signals.
Google's third-party cookie phase-out in Chrome, although softened into a user-choice model, has reinforced the shift to first-party strategies and retail media networks. Safari and Firefox already blocked cookies, so the trend is structural.
In parallel, the EU's Digital Markets Act (DMA) is reshaping platform behaviour. Cases against Apple's App Store rules and browser defaults highlight how regulators are curbing self-preferencing, default entrenchment, and cross-service data sharing.

Implication: The new infrastructure layer—clean rooms, modeled conversions, and consent management—has become a core M&A target.

2) The ad-mix is tilting to short-form video, CTV, and retail media
Global ad spend passed $1 trillion in 2024; by 2025, digital advertising exceeds $750bn. Short-form video (Reels, Shorts, TikTok) and connected TV (CTV) are the fastest-growing formats.
Retail media networks (RMNs) are the breakout story, expected to surpass global TV ad revenues (~$170–180bn) in 2025. Amazon's advertising business alone is on track to exceed $60bn.

Implication: Platform and investor M&A targets include retail media enablement (offsite tools, closed-loop attribution, merchant analytics) and CTV adtech infrastructure (identity resolution, incrementality, automated creative).

3) Commerce in content (shoppable) depends on logistics, not just clicks
TikTok Shop doubled global GMV to ~$33bn in 2024, but regulatory headwinds and tariff risks in the US underscore that shoppable success depends on payments, fulfilment, and returns.
Platforms are building their own rails: TikTok's Fulfilled by TikTok (FBT) manages storage and delivery, YouTube integrates Shopify checkout, while Meta in 2025 scaled back native checkout on Instagram, pushing merchants to external sites.

Implication: M&A activity will cluster around logistics orchestration, payments/identity, and 3PL tooling that improve creator commerce economics.

4) The creator economy is professionalising
Creators are now small businesses, demanding professional contracts, predictable monetisation, and better tools. YouTube's Shorts revenue-share (45% pool split) and TikTok's Creator Rewards Programme reflect the shift.
Licensing clarity improved after Universal Music and TikTok struck a renewed 2024 deal covering rights and AI protections. Tools are consolidating too: Canva's 2024 acquisition of Affinity and Figma's 2025 IPO after the blocked Adobe merger show both consolidation opportunities and regulatory limits.

Implication: M&A opportunities lie in creator-stack consolidation—editing tools, rights management, storefronts, and monetisation platforms. Premium assets are those tightly integrated into platforms or with unique datasets (e.g., music/rights graphs).

5) AI-native platforms are changing discovery and the last mile
Google's AI Overviews and similar generative search tools reduce referral traffic to publishers, shifting discovery power away from traditional SEO. Studies in 2024–25 confirm material traffic declines when AI summaries appear.
Platforms are embedding generative AI throughout the ad stack: Meta's Advantage+ generates creatives at scale; Google's Performance Max provides AI-driven asset optimisation and reporting.
On the commerce side, AI agents like Amazon's Rufus and Expedia's integrated travel assistants move platforms toward agentic discovery and fulfilment.

Implication: M&A will tilt toward AI-measurement (attention/causal lift), authenticity/rights management, and agent-commerce enablers (payments, fulfilment, returns).

M&A Dynamics: Five Actionable Theses in 2025

1) Adtech Purification
Signal loss from ATT, cookie deprecation, and DMA interoperability mandates has fragmented the ad stack. Platforms and investors are pursuing “purification” buys:

- Targets: clean room operators, contextual adtech, attention-metrics firms, and modeled conversion specialists.
- Logic: owning measurement and consent infrastructure protects ad revenue from regulatory shocks and differentiates performance claims.
- Deal trend: minority stakes/JVs dominate, as hyperscalers prefer interoperability without triggering antitrust alarms.

2) Retail Media Roll-Ups
Retail media networks (RMNs) are now the fastest-growing ad channel, with margins rivaling SaaS.

- Targets: marketplace ad networks, offsite tools, and merchant analytics platforms.
- Logic: roll-ups allow platforms to consolidate fragmented retail media pipes into closed-loop systems that tie consumer behaviour directly to ad spend.
- Investor angle: infra-style yield + growth; sponsors view RMNs as “new utilities” of digital commerce.

3) Creator Stack Consolidation
The creator economy is professionalising, making toolchain ownership strategically vital.

- Targets: editing suites, rights/IP protection, link-in-bio funnels, storefronts, and tipping/membership platforms.
- Logic: controlling creator workflows raises switching costs and ensures exclusive supply of content.
- Deal trend: mostly bolt-ons; valuations remain high, but assets with direct API integration to YouTube/TikTok/Instagram command premium multiples.

4) Payments & Logistics Verticalisation
To defend take rates, platforms are internalising payments and last-mile logistics.

- Targets: payment processors, wallets, fraud-prevention firms, fulfilment/returns orchestration, and 3PL/4PL platforms.

- Logic: integrating checkout + logistics reduces leakage to external providers and strengthens consumer trust (fraud, chargebacks).
- Deal trend: bolt-ons structured as acqui-hires + tech absorption, especially in emerging markets where regulatory barriers to payments licensing are lower.

5) Regional Super-App Adjacencies
While US/EU regulators block super-app ambitions, LatAm, SEA, and India remain fertile ground.

- Targets: fintech wallets, delivery/logistics, classifieds, and mobility platforms.
- Logic: bolt-together adjacencies approximate the WeChat/Grab model without Western scrutiny, locking users into single ecosystems.
- Investor angle: attractive frontier growth, but heightened political/regulatory risk (foreign ownership limits, digital sovereignty rules).

Implications (2025)

- Corporates:
  - Expect fewer megadeals; pursue bolt-ons that strengthen data, measurement, creator, or retail media positions without tripping DMA/antitrust.
  - Build own payments/logistics to protect take rates as AI erodes top-of-funnel advantages.
- Investors:
  - Retail media and CTV adtech are the strongest compounders; clean rooms and attention metrics command scarcity value.
  - Creator-tool assets need distribution moats (deep platform integrations, exclusive data) to avoid commoditisation.
- Policymakers:
  - Enforcement is shifting from ex-post to ex-ante (DMA); expect interoperability, sideloading, and in-app payment choice mandates to pressure platform rents.
  - National security overlays (e.g., ownership of short-video platforms) will continue to affect cross-border deals.

IT Services & Outsourcing – Talent, Platforms, and Operating Leverage

2025 Lens: What's Happening Now

GenAI moves from pilots to production
The transition from experimentation to scaled industrialisation is the defining theme of 2025. Enterprises are no longer content with isolated pilots; they are embedding GenAI into mission-critical workflows.

- Enterprise priorities: Beyond copilots, CIOs are demanding platformisation — AI that integrates seamlessly into existing ERP, CRM, and shared services ecosystems. This requires RAG pipelines, compliance frameworks, and fine-tuning environments.
- Sectoral adoption:
  - Banking: AI-driven risk assessment, automated compliance monitoring.
  - Healthcare: Clinical documentation, diagnostics support.
  - Retail: Personalised recommendations, AI-enabled supply chain forecasting.
- M&A implication: IT service providers are buying boutique AI specialists with expertise in model ops, domain-specific data sets, and regulatory compliance (e.g., healthcare AI firms with HIPAA clearance).

(Bain, 2024; McKinsey, 2024)

Cloud modernisation 2.0
The second wave of cloud transformation has become inseparable from AI-readiness. "Lift-and-shift" left enterprises with high costs and fragmented estates; now the focus is optimisation and refactoring.

- FinOps: Cloud spend often exceeds 20–30% of IT budgets, forcing CFOs to demand FinOps discipline — spend observability, automated optimisation, and predictive cost modeling.

- Refactoring: Monolithic applications are being containerised and refactored into microservices with embedded observability. This not only reduces cost but creates the modular data architecture required for AI.
- Data as infrastructure: Enterprises are centralising on Snowflake, Databricks, and hyperscaler-native platforms. Without this standardisation, governance-by-design and AI model training are impossible.

M&A focus: Acquisitions target firms with data engineering depth and regulatory-grade governance expertise, especially those certified across multiple hyperscaler ecosystems. (PwC, 2025)

Vendor consolidation

Procurement leaders are under pressure to rationalise their vendor base. In 2025, enterprises want end-to-end accountability: one partner to deliver cloud, data, security, and change management.

- Why it matters: Fragmentation increases delivery risk, slows decision-making, and drives integration costs.
- Consolidation impact:
  - Tier-1 integrators (Accenture, Capgemini, Infosys) are winning multi-year, multi-service agreements (MSAs).
  - Smaller firms without unique IP, vertical specialisation, or hyperscaler certification face marginalisation or acquisition.

M&A logic: Tier-1s are buying niche specialists in cybersecurity, AI/ML, and sector-specific SI to win MSAs and retain trusted-advisor status.
(KPMG, 2024)

Pricing & utilisation

The economics of IT services are improving as labour markets stabilise and clients demand value-linked pricing.

- Utilisation: After hiring freezes in 2024, backlogs are filling again, lifting utilisation rates across delivery centres.

- Pricing: Traditional time-and-materials contracts are giving way to outcome-based and gainshare models. In cybersecurity, for example, integrators are being paid based on incident reduction or breach response times. In GenAI, success metrics are tied to productivity gains or cost savings delivered.
- Investor view: Firms with higher proportions of annuity managed services + outcome-based contracts are commanding valuation premiums, as these models show stronger margin durability.(Bain, 2024)

Talent markets

Talent remains the ultimate constraint, even as attrition normalises.

- India's centrality: India remains the world's largest delivery hub, with utilisation stabilised and attrition back to pre-2021 levels.
- Acqui-hiring: Remains a strategic lever for scarce talent pools, particularly ML engineers, cybersecurity architects, and data platform specialists.
- Nearshore hubs: Enterprises are demanding same-time-zone support. Central and Eastern Europe (CEE) and Latin America have scaled significantly, particularly for BFSI and government clients in EU and US time zones.

Implication: M&A is often talent-driven: acquiring boutique firms with scarce certifications or delivery footprints.(Bain, 2024)

Public sector & sovereign demand

Governments are among the most resilient buyers in 2025, scaling national digitalisation programmes across digital identity, e-health, tax automation, and justice systems.

- EU & GCC focus: These regions are at the forefront of requiring sovereign cloud credentials — providers must guarantee localised data residency and certified security (ISO, PCI, HIPAA).
- Prime contractor preference: Public sector buyers increasingly prefer large, multi-service integrators with the scale and compliance infrastructure to handle sensitive national data.
- M&A logic: Acquisitions focus on public-sector-certified firms, particularly in cloud/cybersecurity, and regional delivery centres in politically important jurisdictions (PwC, 2025)

M&A Dynamics: Six Live Theses in 2025

1) AI & Data Boutiques – building repeatable GenAI platforms
The most active deal flow in IT services is around AI/ML boutiques. Buyers are seeking firms with:

- MLOps and RAG specialisation to operationalise AI models at scale.
- Snowflake/Databricks certifications that allow cross-sell into hyperscaler ecosystems.
- Domain-specific datasets (e.g., healthcare imaging, legal text, financial risk data) that can be monetised across multiple clients.

Logic: Rather than reinventing the wheel, integrators are acquiring to build repeatable "AI accelerators" — pre-trained models, regulatory frameworks, and verticalised solutions. These are packaged into enterprise platforms, turning AI from a bespoke service into a margin-accretive product line.
Deal examples: Accenture's multiple AI/data tuck-ins across Europe and the US; Infosys acquiring GenAI and cloud data specialists to deepen its Databricks practice.

2) Cybersecurity Roll-Ups – scaling global SOC networks
Cybersecurity demand is compounding at >12% CAGR (PwC, 2025). Roll-ups are targeting:

- Managed Security Service Providers (MSSPs): 24×7 monitoring centres across regions.
- Incident Response firms: providing high-value, time-sensitive work.
- Identity/Zero Trust providers with expertise in SSO, MFA, and IAM.
- OT/critical infrastructure specialists in utilities, manufacturing, and transport.

Logic: Few enterprises want a fragmented cyber vendor base. Roll-ups create global coverage SOC networks and deeper vertical IP (e.g., healthcare breach protocols, energy sector resilience).
Deal examples: PE-backed consolidations of mid-market MSSPs in North America and Europe; IBM and Deloitte expanding OT cyber capabilities via targeted acquisitions.

3) Vertical Specialists – regulated industries as growth anchors
Vertical-specific IT services players remain prime targets. The most active verticals in 2025:

- Healthcare: EMR/clinical integration specialists, HIPAA-certified providers.
- Financial Services: risk/regtech vendors, payments migration experts.
- Public Sector: sovereign cloud and cybersecurity specialists with SIEM/SOC coverage.

Logic: Regulated industries require compliance-heavy, credential-driven integrators. Buying these firms gives access to procurement frameworks and trusted-supplier status, barriers that generic providers cannot cross.
Deal examples: Capgemini expanding its EU public-sector footprint through cyber-certified acquisitions; Wipro and Infosys acquiring US healthcare IT consultancies.

4) Managed Services Scale – chasing annuity growth
Managed services (infrastructure, applications, cybersecurity) provide 3–7 year recurring revenues under SLAs.

- Targets: Providers with AIOps, observability platforms, and SRE (site reliability engineering) capabilities.
- Logic: Automation-led managed services not only drive higher margins but also protect against wage inflation.
- M&A trend: Buyers focus on platforms that blend human labour with automation/IP, reducing reliance on pyramid-heavy staffing.

Deal examples: HCLTech's acquisitions of cloud-managed services platforms; Atos restructuring to double down on managed services through carve-outs.

5) Geo Expansion – nearshore and GCC delivery hubs
Geographic expansion is increasingly about time-zone proximity and localisation:

- CEE and LatAm: Deliver "follow-the-sun" operations and compliance with EU/US procurement.
- GCC: Governments are demanding Arabic localisation, sovereign data compliance, and regional delivery.

Logic: Delivery centres are not just cost arbitrage but credential arbitrage — being physically present in regulated jurisdictions to meet sovereignty mandates.
Deal examples: TCS expanding GCC delivery hubs for e-government programmes; Cognizant acquiring nearshore delivery firms in Eastern Europe.

6) Captive Carve-Outs – turning cost centres into profit engines
Global In-House Centres (GICs) built by banks, manufacturers, and retailers are increasingly being carved out and sold.

- Logic for sellers: Rising costs and lack of scale push corporates to offload GICs.
- Logic for buyers: Service providers can rebrand GICs into delivery centres, layering in external clients and extracting margin.

- Risk: Culture and integration shocks are common, especially where attrition spikes post-sale.

Deal examples: Infosys and Tech Mahindra acquiring captive centres from global banks; PE firms spinning out GICs into independent platforms.

Deal Risks & Diligence Focus

- Revenue Quality:
  - T&M-heavy portfolios are vulnerable to utilisation swings.
  - High Top 10 client concentration (>40% of revenues) raises renewal and churn risk.
  - Diligence focuses on proportion of managed annuities vs project work.
- Delivery Health:
  - Utilisation rates, subcontractor reliance, and offshore/onshore mix are leading indicators.
  - Visa exposure remains a red flag in US/EU-heavy businesses.
- Offering Repeatability:
  - Assets with IP/accelerators, reference architectures, and packaged industry solutions score higher in diligence.
  - Pure bespoke consultancies trade at discounts.
- Partner Status:
  - Hyperscaler tier, co-sell momentum, and MDF (market development fund) access directly impact win-rates.
  - Diligence includes reviewing vendor alliance scorecards.
- Compliance & Sovereignty:
  - ISO/PCI/HIPAA certifications are mandatory in BFSI/healthcare/public sector.
  - EU/GCC clients require sovereign cloud/data residency — absence is a deal-breaker.
- Integration Risk:
  - Post-deal pyramid harmonisation and rate card convergence often drive attrition.
  - Culture fit and attrition control (especially in acqui-hires) are top diligence points.

(Bain, 2024; KPMG, 2024)

Implications (2025)

- Corporates: Build defendable platform offers (AI + data + security), pivot to automation-led managed services, and use M&A to close talent/certification gaps fast.

- Investors: Best risk-adjusted returns in annuity-heavy platforms (MS + cyber), AI/data boutiques with repeatable IP, and public-sector primes with barriered credentials.
- Policymakers: Procurement frameworks should enable innovation while preserving security/sovereignty; skills and visa policy impact delivery capacity.

Digital Infrastructure - Data Centres, Towers, Fibre & Subsea

2025 Lens: AI Power Shock & Localisation

AI Compute Wave:
Training and inference demand lifts rack densities (30–80 kW) and pushes liquid cooling adoption. Power scarcity (substation queues) in hubs (FLAP-D, Virginia, Singapore) is the dominant gating factor; capacity is migrating to power-rich regions (Nordics, Iberia, Middle East, parts of India). (Morgan Stanley, 2025)

What this means: The AI supercycle has fundamentally shifted data centre economics. Traditional air-cooled racks cannot handle AI workloads; hence direct-to-chip and immersion cooling are becoming mainstream. In congested hubs, delays of 2–5 years to secure grid connections are forcing hyperscalers to prioritise regions with abundant renewable supply and looser permitting. Sovereign governments, particularly in the GCC and India, are positioning themselves as alternative AI hosting hubs, offering land, energy, and incentives to attract hyperscale campuses.

Grid & Sustainability:
PPA/renewables, waste heat reuse, water constraints drive site selection; PUE targets <1.2 for new AI blocks. Policy scrutiny (moratoria/energy caps) intensifies. (PwC, 2025)

Beyond efficiency, sustainability is now an existential licence to operate. Regulators in Europe and Asia are beginning to enforce absolute energy caps on new builds. Operators must prove not only high efficiency but also grid-friendly behaviour, e.g., through load shifting and demand-response contracts. Waste-heat reuse is becoming mandatory in Nordic and Northern European cities, while water scarcity is pushing desert campuses toward closed-loop cooling and alternative water sources.

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This means M&A due diligence increasingly covers PPA structures, grid flexibility clauses, and water-use strategy, not just EBITDA multiples.

Hyperscaler Strategies:
Mix of build-to-suit JV, long-term wholesale, and self-build campuses; preference for multi-phase campuses with expandable power envelopes.

The hyperscaler model is diversifying. Self-build mega-campuses dominate where land and power are secured (e.g., Microsoft's multibillion-dollar sites in Finland and Saudi Arabia). In capacity-constrained metros, hyperscalers enter build-to-suit JVs with infra funds (Blackstone, GIC, Brookfield) to spread capital risk. Multi-phase expansions are critical: operators design for an initial 50–100 MW with expandable substations and land banks to scale to >500 MW over time. For M&A, this shifts valuation towards expandability of campus power envelopes as much as existing contracted EBITDA.

Towers:
5G densification and private networks add nodes; small cells and indoor neutral host accelerate in transport hubs/campuses.

The tower segment is undergoing a quiet transformation. Macros remain the cashflow core, but value creation is shifting to neutral-host small cells and DAS (distributed antenna systems) in venues, airports, and metros. Private 5G rollouts by enterprises (factories, ports, hospitals) are creating new demand nodes where neutral-host providers can aggregate multiple MNOs. M&A is targeting operators that specialise in in-building and enterprise connectivity, as tenancy ratios are harder to grow on traditional macros in saturated markets.

Fibre:
Open-access wholesale models expand; altnets face refinancing pressure → roll ups.

Fibre is at a tipping point: build-out has outpaced customer acquisition. Many alt-fibre networks (altnets) financed during the low-rate era (2019–22) are struggling to refinance in a high-rate environment. This is triggering a wave of forced consolidation into wholesale open-access platforms. Investors now underwrite fibre not just on "homes passed" but on penetration curves, ARPU uplift potential, and overbuild risk. In the UK and Germany, consolidation is accelerating as infra funds roll fragmented platforms into national footprints.

Subsea:
Big Tech financing continues; state screening intensifies on geopolitical routes. (EY, 2024)

→ Subsea has moved from being a “utility asset” to a national security concern. Over 95% of international traffic flows through cables, and hyperscalers finance the majority of new builds. Governments are increasingly screening consortia to prevent adversarial ownership or equipment use. For M&A, this means deals are typically structured as minority stakes or co-financing JVs, with approvals scrutinised at the geopolitical level. Investors must model redundancy (extra routes), repair response times, and sanctions risk as part of deal diligence.

M&A Dynamics: Seven Plays that Work in 2025

- Platform buyouts (data centres): Buy regional operators with land banks, grid connections, and interconnect ecosystems. Expansion is driven by multi-phase campuses pre-leased to AI tenants, but underwriting now hinges on power access, PPA security, and liquid cooling readiness. Valuations have shifted away from pure EBITDA multiples toward asset scarcity premiums.
- Sale & leaseback with hyperscalers/enterprises: Corporates and cloud players offload captive facilities to infra capital in 10–15 year sale-and-leasebacks, monetising assets while securing long-term capacity. Investors get contracted annuities, while sellers recycle capex. Increasingly structured as co-investment JVs, especially in Europe and Asia.
- Edge & interconnect: Acquire metro/edge sites where cross-connect density drives higher ARPU than wholesale racks. Interconnection revenues are growing faster than space/power rents, giving premium valuations. Due diligence focuses on port saturation, software orchestration of fabrics, and IX positioning.
- Tower portfolios: Roll-ups focus on combining macro + small-cell + DAS to lift tenancy ratios. Indoor neutral-host deployments are especially valuable in stadiums, airports, and campuses where regulatory or landlord mandates guarantee multi-operator demand. M&A is increasingly tilted toward private 5G and enterprise DAS specialists.
- Wholesale fibre roll-ups: Combine metro, long-haul, and FTTH altnets to create national open-access platforms. The key is not homes passed but take-up density and unit cost efficiencies. Refinancing stress across smaller altnets makes 2025 a prime year for consolidation by infra funds.

- Subsea consortia stakes: Stakes in Indo-Pacific and Africa–Europe builds provide access to the fastest-growing bandwidth corridors. Structuring is almost always minority/JV to pass national security screening. Value creation lies in pairing subsea capacity with landing stations, metro backhaul, and edge DC assets for full-stack economics.
- Power-first land strategies: The scarcest input is no longer capital but megawatts. Investors are buying land with pre-secured substation capacity or grid queue rights, then monetising via JVs with hyperscalers or DC operators. This turns "power-ready plots" into the digital infra equivalent of prime oil reserves.

Risk, diligence & underwriting in 2025

- Data centres: Power procurement/PPAs, connection queue risk, EPC cost certainty, pre-leasing %, tenant concentration, heat-rejection/water, PUE roadmap, liquid-cool readiness, grid/stability curtailment clauses.
- Towers: Tenancy forecasts, CPI escalators, churn on carrier consolidation, power/energy pass-throughs, capex for 5G densification.
- Fibre: Build cost per premises passed, take-up assumptions vs competitive overbuild, open-access pricing regulation, wholesale anchor contracts.
- Subsea: Route redundancy, repair SLAs, geopolitical exposure/sanctions, insurer coverage. (EY, 2024; PwC, 2025)

Implications (2025)

- Corporates: Treat power as strategy—secure interconnect early; partner with infra capital for multi-phase campuses; monetise non-core (towers/fibre) via carve-outs.
- Investors: Best risk-adjusted returns where contracted cashflows intersect with AI demand optionality (pre-leased AI blocks; interconnect-rich metros).
- Policymakers: Align energy policy with digital strategy—accelerate grid connections, enable PPAs, set pragmatic sustainability rules; tighten security on subsea and critical DCs.

04

Conclusion and Outlook for H2 2025 and beyond

Outlook for H2-2025 and Beyond

Executive summary

- Deal values up, volumes down: In H1-2025 TMT deal volumes fell ~11% YoY while deal values rose ~20%, driven by a handful of larger tech transactions and infrastructure platforms (PwC, 2025).
- Macro set-up: The rate path is tilting easier after Jackson Hole; the Fed signalled cuts may start as early as September (subject to data), easing financing costs into year-end (Reuters, 2025; AP/MW, 2025).
- Equity window re-opened (selectively): High-quality software and infra stories can access public markets again (e.g., Figma IPO, July 2025), restoring stock "currency" for follow-on M&A (Reuters, 2025; Figma, 2025).
- Capex logic unchanged: Compute and power remain the bottleneck; AI workloads are driving structural demand for data-centre capacity and grid-adjacent land/power rights (Morgan Stanley, 2024/2025; Data Center Frontier, 2025).
- Policy is the gatekeeper: DMA enforcement, export controls (AI/semis), and national-security screenings will continue to shape which deals clear in H2 (PwC, 2025; EY, 2024).

Scenarios for the Future (And What They Imply For Deals)

We anchor on three paths. Use these as signposts for go/no-go decisions and to stage diligence/financing workstreams.
Base case (60%)

- Rates: Gradual Fed/ECB easing begins Q3/Q4; high-yield and loan markets remain open, spreads modestly compress (Reuters, 2025).

- M&A: Volumes stabilise and tick up modestly versus H1; values remain high on select megadeals (tech, digital infra).
- Play: Bolt-ons, carve-outs, and mid-market platforming; megadeals only where antitrust is pre-wired.

Bull case (25%)

- Rates: Faster easing + soft-landing macro.
- M&A: Volumes + values both up; software P2Ps reopen (sponsors can underwrite at improved debt costs); infra sees record capital deployment into power-ready campuses.
- Play: Lean into public-to-private software, AI-native adjacencies, and interconnect/edge data-centre hubs.

Bear case (15%)

- Rates: Inflation re-accelerates; cuts delayed.
- M&A: Financing windows narrow; volumes drift lower; only all-cash strategics and private credit club deals proceed.
- Play: Distressed consolidations (altnet fibre), earn-out heavy structures for growth assets.

Financing Conditions: What Changes Now

- Cost of capital glidepath: Expect incremental relief as policy shifts from restrictive to neutral. Bank syndication is open for top credits; private credit remains competitive for speed and certainty on sponsor deals (EY, 2024; PwC, 2025; Reuters, 2025).
- Equity as currency: Post-Figma, A-quality SaaS can contemplate IPOs/secondaries to fund M&A (Reuters, 2025).
- Infra financing: Data-centre lenders underwriting power-first strategies; pre-leased AI blocks attract lowest spreads; PPAs and sub-station queue positions drive valuation (Morgan Stanley, 2025; PwC, 2025).

Subsector Outlooks

Technology

- Semis: AI accelerators still supply-constrained; in-house silicon by hyperscalers proliferates; M&A targets are alt-architectures (graph/neuromorphic) and EDA/IP boutiques. Sovereignty incentives continue to push JV/alliances over full cross-border takeovers (Bain, 2024; PwC, 2025).
- Software/Cloud: AI upsell (Copilot/Gemini/Bedrock) supports net revenue expansion; expect AI-feature tuck-ins and applied-AI roll-ups.
- Devices: 2025 refresh led by AI PCs; acquirers chase sensors/biometrics/AR for ecosystem lock-in (Bain, 2024).

Media & Entertainment

- Streaming: ARPU lift via ads & bundles; libraries trump land-grab. Expect library acquisitions, JV sports rights, and CTV adtech consolidation (PwC, 2024/25; EY, 2024).
- Gaming: IP > distribution; mobile/cloud monetisation drives studio bolt-ons by strategics; PE focuses on tools/middleware with recurring revenue.
- Music: Catalogue trades continue, but underwriting re-bases to higher discount rates and AI-licensing upside (PwC, 2024/25).

Telecommunications

- Consolidation tailwind where regulators accept scale to fund 5G SA/FTTH; carve-outs (towers/fibre) recycle capital; enterprise 5G/edge acquisitions accelerate (GSMA, 2024; EY, 2024).
- Risk: ARPU inertia + energy costs; watch Open RAN deployment and indoor neutral-host roll-ups.

Internet & Digital Platforms

- Ad mix shifts to short-form video, retail media, and CTV; M&A centres on clean-rooms, measurement, attention metrics, and creator-tool stacks.
- Regulatory risk remains the limiting factor; bolt-ons over megadeals (EY, 2024; McKinsey, 2024/25).

IT Services & Outsourcing

- Spend mix rotates to GenAI enablement, data platforms, zero-trust, S/4HANA, and FinOps + refactor. M&A: AI/data boutiques, MSSP roll-ups, public-sector primes (Bain, 2024; PwC, 2025).

Digital Infrastructure

- Power-first underwriting dominates; AI blocks shift demand to power-rich regions; infra funds and SWFs lead platform buyouts and sale-and-leasebacks (Morgan Stanley, 2025; EY, 2024).

What Dealmakers Should Do Now

Corporates

- Pre-wire policy: Build a regulatory risk memo upfront (DMA/CFIUS/EU screening) and shape remedies early; pursue two-step paths (minority/JV → majority) where scrutiny is high (EY, 2024).
- Finance for speed: Keep dual-track debt (bank syndicate + private credit) ready; line up all-equity options for must-win assets (PwC, 2025).
- Price for power: In DC/tower/fibre deals, diligence power queues, escalators, and energy pass-throughs; make PPA/transformer access a condition precedent (Morgan Stanley, 2025).
- AI defensibility test: Where the target's "AI moat" is compute, models, or data, run a replicability test (cost/time to copy; regulatory exposure to copyright/biometrics).
- Talent capture: In IT services and frontier tech, structure retention (earn-outs, founder re-ups) to avoid post-close capability gaps.

Private equity & infra funds

- Own the platform: Prefer platform buy + add-ons in DC/towers, open-access fibre with proven take-up, and MSSP/CX managed services where automation expands margins.
- Underwrite regulatory/ESG: Sovereign cloud compliance, data residency, energy caps, and export controls are now credit risks, not footnotes.
- Structures for uncertainty: More contingent value, seller notes, minority with path to control; in software P2Ps, use stapled private credit and structured equity to protect IRRs under slower rate cuts.

Opportunity Map vs Risk Radar

Top opportunities

- AI infrastructure & interconnect (power-ready DC campuses, edge/metro interconnect hubs) (Morgan Stanley, 2025).
- Retail media & CTV adtech (data-rich, durable growth with regulatory-compliant measurement) (McKinsey, 2024/25).
- Applied-AI SaaS in verticals (support automation, coding assistants) with low regulatory exposure (PwC, 2025).
- Open-access fibre roll-ups with proven penetration and subsidised builds (EY, 2024).

Key risks

- Policy shocks (DMA remedies, export bans, national-security vetoes).
- Power scarcity (grid connection delays cap DC growth).
- Consumer softness (if real incomes slow, ad-supported models wobble).
- Rate re-acceleration (if inflation surprises, HY/LL windows tighten).

Conclusion

The Technology, Media & Telecommunications (TMT) sector is more than a set of fast-growing industries—it is the digital nervous system of the global economy. Its value lies in intangible assets such as software code, data networks, intellectual property, and user ecosystems, making it both strategically essential and structurally volatile. In 2025, TMT deal-making is shaped by five intertwined forces:

- Innovation waves – Generative AI now drives investment across the stack: from semiconductors and hyperscale cloud to creator tools and cybersecurity. Each breakthrough resets competitive positions and creates new M&A opportunities.
- Regulation and geopolitics – Antitrust scrutiny, national-security reviews, and "tech sovereignty" initiatives have made cross-border transactions slower and riskier. Deals must be structured with remedies, joint ventures, or minority stakes to clear political hurdles.
- Capital dynamics – After the 2022–23 rate shock, financing has stabilised but remains selective. Cash-rich Big Tech can self-fund strategic bets, while private equity and private credit concentrate on digital infrastructure and yield-oriented assets.

- Consumer demand cycles – Advertising budgets, device upgrade patterns, and gaming trends still dictate valuations. Investors and corporates who time these cycles—buying into downturns and selling into recoveries—capture outsized returns.
- Infrastructure imperatives – Towers, fibre, data centres, and subsea cables are no longer mere utilities; they are geopolitical assets attracting sovereign wealth and private capital.

For dealmakers, the implication is clear: success depends on subsector-specific valuation models, creative financing, and proactive regulatory strategy as much as on traditional financial analysis. Whether consolidating semiconductor IP, acquiring game-changing content, rolling up fibre networks, or securing AI-ready data centres, each transaction now carries consequences for market power, cultural influence, and national security.
In short, TMT M&A in 2025 is not just about capturing growth; it is about shaping the architecture of the 21st-century economy.

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