



Addressing top-of-mind technology, media, and telecom issues

Q3 2024



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The impact of generative artificial intelligence (GenAI) on technology, media, and telecommunications (TMT) organizations is undeniable, according to a new survey conducted by KPMG. With the potential to unlock new revenue streams, boost return of investment (ROI), and gain a competitive advantage, TMT leaders are taking notice.

Key survey findings included that:

- 80 percent of TMT leaders expect a moderate to significant increase in GenAI investments over the next three years.
- 75 percent of TMT leaders feel confident about the ROI of GenAI.
- 61 percent of TMT leaders plan to introduce GenAI into new business functions.
- Upskilling existing talent (76 percent) and hiring new talent (59 percent) are key steps taken by TMT leaders to close the skill gap in their workplace.
- 59 percent of TMT leaders believe data privacy and security remains a top barrier in adapting GenAI.

The increasing investments and confidence in ROI from TMT leaders indicate that the industry recognizes GenAI's potential to drive innovation and transformation.



Potential actions:

- Take a human-first approach to AI transformation. This will require upskilling and reskilling existing talent and also hiring new talent when necessary. Collaboration between employees and AI can deliver long-term benefits to the enterprise.
- Automate repetitive tasks and streamline workflows. This enables organizations to free up valuable time for employees to focus on higher-value activities like critical thinking, strategic planning, and problem-solving, leading to cost savings as well as empowered employees.
- Consider using third parties for GenAI solutions. Half of surveyed organizations buy or lease their GenAI from vendors, while nearly one-third pursue a mix of building, buying, and partnering. Factors to consider include cost saving, customization, intellectual property rights, and rapid prototyping capabilities.
- Prioritize risk management and governance. This includes cybersecurity, data quality, ethical AI frameworks, and stringent data privacy measures. It also includes performing regular reviews and updating data handling practices to ensure compliance with evolving AI regulations.



Thought leadership:

- [GenAI: A game-changer for TMT organizations](#)
- [KPMG GenAI Survey 2024](#)
- [Turbocharging growth by taking retention analytics to the next level](#)
- [New AI Actions: White House Announcement; NIST, NTIA Guidance](#)

Legislative landscape and regulatory requirements



The outcome of the 2024 US elections will strongly influence the regulatory environment across all industries, and potentially impact topics such as environmental, tax, cybersecurity, and accounting. Regardless of election results, increased scrutiny from federal and state regulators on one side of the aisle or the other is anticipated.

Potentially impactful regulatory developments for Q3 2024¹:

- The Financial Accounting Standards Board is set to unveil several proposals for public comment covering a range of topics, including one that would introduce scope changes to ASC 815 (derivatives and hedging).
- The Securities and Exchange Commission (SEC) staff has shared updated views on how to apply ASC 280 (segments), including adopting ASU 2023-07 on segment reporting, and is continuing to focus on cybersecurity disclosures.
- On sustainability, amendments to the California climate laws have progressed – signaling that companies should not delay moving forward with their preparation for adoption – and regulation and guidance from the European Union continues apace.
- The PCAOB continues to be particularly active, with several developments garnering attention this quarter.

¹ [Q3 2024 Quarterly Outlook](#), KPMG LLP, 2024



Potential actions:

- Review and understand new regulatory requirements. Determine which ones will impact your company, its financial statements and/or the way it operates. This means trying to identify, assess, mitigate, and ideally resolve any potential regulatory issues. Keep in mind that there's a likelihood of escalating consequences (e.g., fines) for repeat offenses and/or failures to address issues.
- Update your organization's processes and controls. This should include implementing efficient data collection and reporting mechanisms so you can comply with any new disclosure requirements quickly and accurately.
- Seek guidance from external experts, such as auditing firms or consultants who specialize in financial reporting.



Thought leadership:

- [Q3 2024 Quarterly Outlook](#)
- [Ten Key Regulatory Challenges of 2024](#)
- [2025: The Year of Regulatory Shift](#)
- [SEC finalizes cybersecurity rules](#)

Market volatility and IPOs



It's widely anticipated that the US initial public offering (IPO) market will gain momentum as we head into Q42024, driven by expectations of decreasing inflation, Fed rate cuts, and improved market enthusiasm. However, given the lingering economic uncertainty, a major surge in IPO activity may not come until 2025. That's why private companies should be preparing now to go public so they're ready when the time is right.

Key considerations when preparing for an IPO:

- While the IPO market has been slowed by high interest rates, and economic and geopolitical risk, it has recently started to turn around, largely because of interest rate stabilization. Now, with a good pipeline and runway for the IPO market, it may be an opportune time for private companies to go public.
- The healthier the company's foundation, the greater the likelihood of success during and after an IPO. While a track record of growth over several quarters is expected for companies going public, investors are really looking for growth over time.
- It is critical to know what your operating metrics are and have numbers that are reliable and repeatable in a forecast when meeting with investors and potential investors.



Potential actions:

- Have the right people in place for when the IPO window opens up: An impending IPO can change what a company looks for in terms of talent. It's also important to stay flexible as resources and hiring needs may evolve as the IPO timeline approaches.
- Have the right systems in place: It's also important to have the right compliance systems in place for an IPO. For example, organizations need to be ready for Sarbanes-Oxley reporting, as well as have the right accounting, tax management and corporate governance systems in place.
- Manage investor expectations and relationships: For companies going public, playing the investor cards right is critical. Build relationships with the investor community well before IPO conversations occur. Share your mission and growth story through metrics and key performance indicators and craft a compelling investment narrative that highlights your unique valuation drivers.



Thought leadership:

- [IPO market poised to return—prepare now to go public](#)
- [KPMG IPO Intel Hub](#)
- [IPO and equity compensation—Essential tax considerations for a public launch](#)
- [Disruption Decoded: Private company survey results](#)

M&A deal activities



Despite the recent downturn in TMT merger and acquisition (M&A) activity, private equity (PE) firms are showing signs of optimism and are preparing for a recovery in the coming months. That's why PE investors have been focusing on improving the operations of their portfolio companies, making select platform deals, and executing bolt-on acquisitions to add capability and scale, so they're well-positioned to capitalize on new opportunities.

Here are some key trends and insights from the second quarter:

- TMT deal volume remained steady compared to Q1'24 with cautious optimism returning to the market.
- Media was the most dynamic subsector, with deal value soaring 141 percent from the previous quarter.
- PE deals outperformed strategic ones.
- Technology deals had mixed results, with a slight increase in the number of transactions but a drop in combined value due to the absence of megadeals.
- Telecommunications dealmaking weakened across the board.



Potential actions:

- Focus on value creation as part of effective deal-making: For sellers, tapping into digital value creation opportunities can make them more desirable targets. For buyers, having the right tools, platforms, and processes in place can facilitate access to critical information for optimal business decision-making.
- Use data and analytics together with AI: These innovative technology tools are crucial in performing due diligence and understanding value creation opportunities.
- Put the right talent in place: It's important to have the skilled talent required to harness company data effectively; it can influence the value of a deal.
- Consider the tax consequences: Proactively addressing tax implications early in the M&A process can prevent costly and complex issues down the line.



Thought leadership:

- [What media dealmakers are watching](#)
- [Encouraging signs: Q2'24 M&A trends in TMT](#)
- [Semiconductor Industry and M&A Update – Summer 2024](#)
- [2024 M&A Mid-year survey: Feeling bullish again](#)
- [Capturing value from sustainability opportunities after M&A](#)

It is vital that an organization's tax function is simultaneously strategic, collaborative, agile, resilient, and data driven to cope with ever-changing federal and tax requirements. Plus the tax trifecta—the impending expiration of the Tax Cuts and Jobs Act, at the end of 2025, the ongoing enactment of the OECD global tax deal, and waves of regulatory disruption—has added a new layer of complexity to the tax function.

Key TMT tax insights:

- **Tax technology transformation gains momentum.** In the technology sector, budget dollars have historically been funneled to engineering and research and development as opposed to infrastructure functions like tax. But TMT organizations are catching up to and, in some instances, surpassing other industries; 76 percent are deploying or exploring the use of GenAI in tax and 53 percent project they will adopt new technology over the next three years.²
- **TMT companies adopting managed services.** One of the top challenges for TMT tax groups is keeping up with complex and evolving tax regulations and managing compliance in multiple jurisdictions. Outsourcing or co-sourcing, represents a scalable, fully integrated tax operating model that unlocks access to new technology while reducing costs and risks.

² [2024 KPMG Chief Tax Officer Outlook Study](#), KPMG LLP, 2024



Potential actions:

- Implement tax technology, specifically GenAI for tax, to stay ahead of the curve and capitalize on the growing trend of tech adoption among peer companies. Take action now to enhance efficiency, accuracy, and productivity across all functions within your TMT company.
- Take proactive steps to explore Managed Services as a means to stay updated with tax regulations across multiple jurisdictions and keep pace with technological advancements.
- Engage in proactive tax planning to optimize tax positions and better manage tax liabilities. This may mean seeking advice from professionals experienced in TMT tax matters who can help assess potential tax impacts and devise effective strategies.



Thought leadership:

- [Chief Tax Officer Outlook for TMT](#)
- [Chief Tax Officer Insights](#)
- [Tax Reimagined 2024: Perspectives from the C-suite](#)
- [BEPS 2.0: Pillar Two](#)

Industry outlook reports and other insights



[KPMG 2024 Technology and Telecommunications CEO Outlook](#)

This 10th edition of the KPMG CEO Outlook identifies insights from our survey of 240 Technology and Telecommunications CEOs and explores their views on the challenges and opportunities facing economic growth, GenAI, the workforce, and ESG.

[Telco to Techco](#)

Today's telcos know that in order to survive and thrive in the digital age, they should be built around their customers, with an ability to continuously respond and adapt to ever-changing needs.

[Chief Risk Officer Survey: TMT perspectives](#)

This report highlights the top priorities, challenges, and intentions of risk leaders at TMT companies.

[Disruption Decoded: Private company survey results](#)

KPMG surveyed over 600 finance leaders from US-based private and newly public companies revealing current trends, insights, and where companies stand regarding business challenges that have arisen over the last several years.

[AI Insights](#)

Get the latest thinking from KPMG on artificial intelligence and machine learning.

[Board Leadership Center Thought Leadership Series](#)

Insights and resources for directors focusing on today's boardroom challenges and priorities.

[KPMG Sustainability Insights](#)

Subscribe to receive sustainability insights, information, and event invitations from KPMG Sustainability.

[Financial Reporting View](#)

Subscribe to our Financial Reporting View newsletter for updates on accounting and financial reporting topics from KPMG.

[KPMG Economics](#)

Monitor trends and identify potential opportunities that could impact your strategic objectives in this economic environment.





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