Adapting to the shift from headwinds to tailwinds

M&A trends in technology, media, and telecom

Q4'24

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Optimism tempered by uncertainty

The economy and inflation rates posed a few challenges for technology, media, and telecommunications (TMT) industries in 2024. Even still, merger and acquisition (M&A) deal values in 2024 grew more than 60 percent over 2023, while volume grew at a more restrained pace of 8 percent. This disparity between soaring value and modest volume growth keeps us cautiously optimistic for the first half of 2025.

We anticipate a favorable business climate for M&A deals under the new Trump administration due to deregulation, a focus on energy and artificial intelligence (AI) leadership, and favorable incentives for investing in the US economy. We also expect a further narrowing in the valuation gap between buyers and sellers and increased exits by private equity (PE) firms to help return cash to limited partners and support the raise of their next funds. This convergence of factors sets the stage for positive dynamics in the TMT M&A environment.

This past December, the stock market reacted unfavorably to the Fed's quarter-point interest rate reduction; projected plans call for fewer adjustments in 2025. KPMG Economics now expects no additional rate cuts from the Federal Reserve in 2025, one percent fewer than expected a few months ago. However, potential geopolitical shifts and government announcements, like antitrust enforcement rollbacks and extensions of the Tax Cuts and Jobs Act, should help bolster TMT M&A deals.

In 2025, we expect a continuation of 2024's focus on business value creation throughout the deal lifecycle and an emphasis on improving operational transformation. Deeper AI integration remained a core theme among technology firms last year, and we expect AI-based dealmaking to continue in the technology M&A landscape in 2025 as organizations embrace more digitally sound and agile operations. Most companies will leverage a portfolio of AI tools for different purposes. We also expect AI implementations to drive increasing business need for data centers and fiber infrastructure, thereby stimulating M&A activities.

Based on data, analysis, and insights from 2024, multiple factors may impact the volume and value of TMT M&A deals in 2025. Our next section expands on our top 10 views for TMT M&A.

> "We see the potential for double-digit TMT growth in 2025."

Anuj Bahal
Principal
Deal Advisory & Strategy
TMT Leader

The data

Deal momentum increasing

As the charts below illustrate, the combined TMT sector experienced significant growth in 2024, building upon 2023's momentum. While the telecommunications subsector experienced a 5.1 percent decrease in deal volume, it achieved a significant 53.2 percent increase in the value of those deals.

2024 highlights

5,907 deals

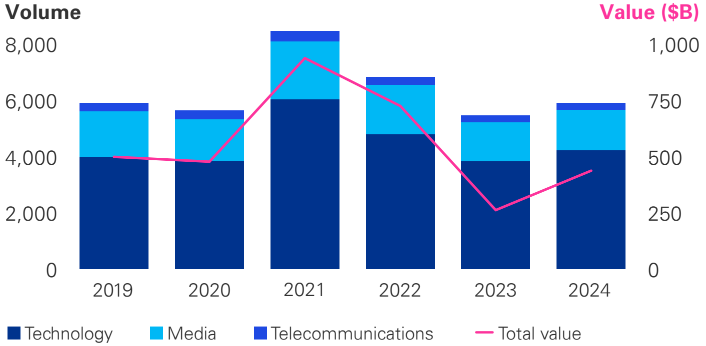
▲ **8.2%** increase YoY

$437.6 billion deal value

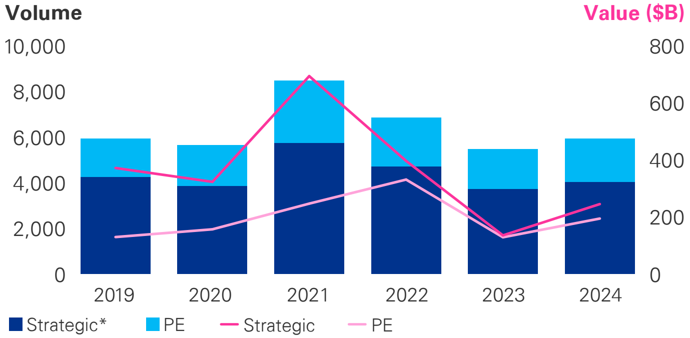
▲ **66.8%** increase YoY

Deal value grew significantly in 2024 compared to 2023, but deal volume was more subdued year over year.

TMT deal activity by sector



TMT deal activity by type

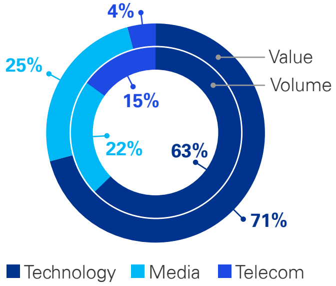


*Includes special-purpose acquisition company (SPAC) deal activity

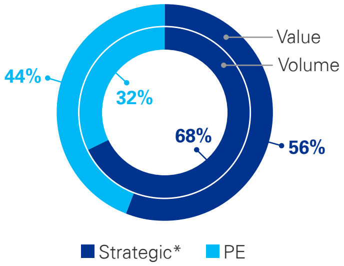
2024 deal mix

Outer ring represents value. Inner ring represents volume.

Sector mix

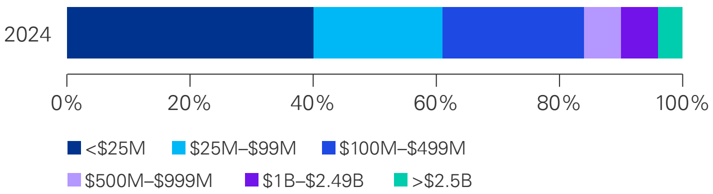


PE/strategic mix



*Includes SPAC deal activity

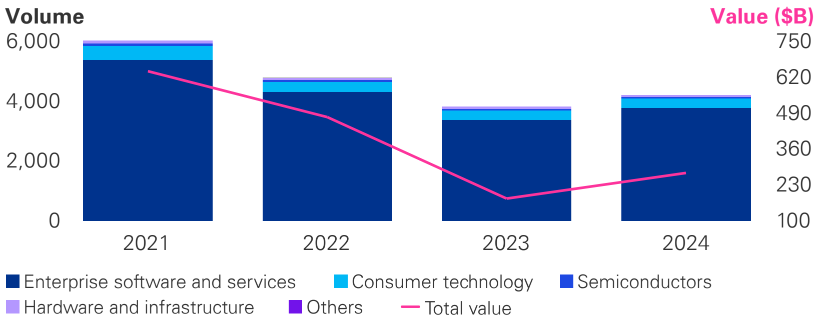
2024 deal size mix



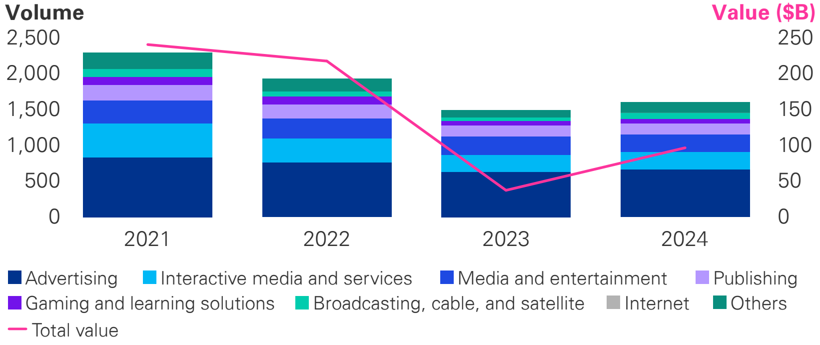
Deal data has been sourced from Capital IQ, Pitchbook, and KPMG analysis. The values and volumes data cited are for US deals announced between January 1, 2024 and December 31, 2024. Deal values are only presented based on publicly available deal data and are not exhaustive. Previously published statistics may be restated to incorporate new data and/or any change.

Deal activity by subsector

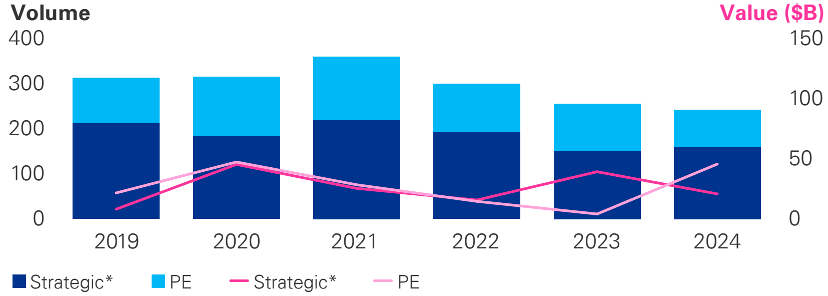
Technology



Media



Telecom

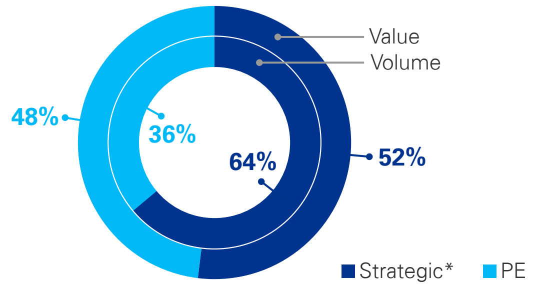


*Includes SPAC deal activity

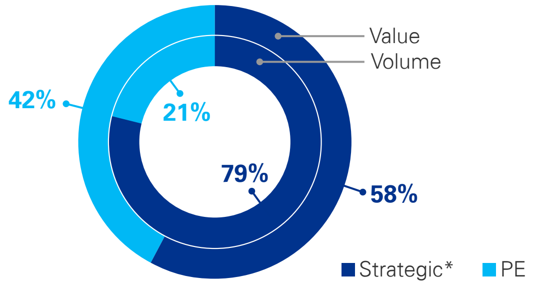
PE/strategic mix

Outer ring represents value. Inner ring represents volume.

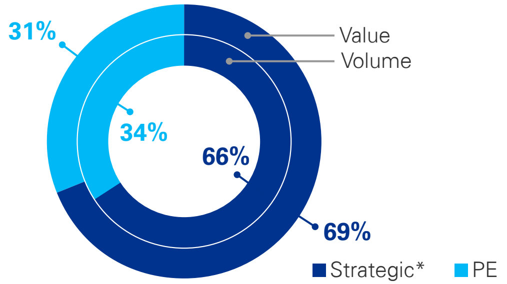
Technology



Media



Telecom



Top deals

	Value (billions)
Acquirer: **Synopsys, Inc.** Target: **ANSYS, Inc.**	$35.0
Acquirer: **Verizon Communications Inc.** Target: **Frontier Communications Parent, Inc.**	$20.0
Acquirer: **Blackstone, CPP Investments** Target: **AirTrunk**	$16.1
Acquirer: **Hewlett Packard Enterprise Company** Target: **Juniper Networks, Inc.**	$14.0
Acquirer: **Omnicom Group Inc.** Target: **The Interpublic Group of Companies, Inc.**	$13.3

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Outlook

Top 10 trends to watch for in 2025

Here are our top ten trends and expectations for the TMT sector and M&A activities in 2025:

1. Accelerated growth in TMT and transformational M&A

Deal values within TMT have grown significantly in 2024 compared to 2023, while deal volume is up only modestly. We expect to see a steady increase in activity through the first half of 2025 followed by even more growth in the second half of the year for the return of a more robust market. A significant portion of corporations (more than 50 percent) and PE firms (about 60 percent) plan to pursue transformational M&A, resulting in fundamental changes to business models, as opposed to incremental acquisitions. While add-ons will continue, there will be a shift to larger, more complex deals.

2. Disciplined approach by large TMT companies

Large corporate firms are focusing on accretive acquisitions, emphasizing strategic alignment, robust diligence, and early integration planning. M&A will be vital for firms with revenue growth under 10 percent to meet investor growth rate expectations and maintain positive profitability. Companies with lower debt levels will retain more M&A flexibility and can strike opportunistically.

3. Private equity activity and exit strategies

PE firms continue to have substantial capital to deploy and face pressure to recycle capital through exits. They will likely explore creative deal structures, such as carve-outs, and focus on differentiation through track records and operational improvement. We could see thinning out of "mid-market" PE firms that struggle to compete with the scale of larger firms and the niche capabilities of smaller firms.

4. Increased US IPO activity

Historically, the increase in private capital allowed companies to stay private longer. Markets are at all-time highs, with business confidence boosted by an incoming pro-business administration. The TMT initial public offering (IPO) market is expected to strengthen—we expect increases toward historical averages (about 40 tech IPOs per year). European companies are increasingly considering US markets for their IPOs. The US offers larger tech-savvy investor bases, higher valuations, better liquidity, favorable regulations, extensive analyst coverage, and strategic growth opportunities within its tech ecosystem, making it a more attractive option than European markets.

5. Media balances sell or spin considerations

Media dealmakers will face more crucial decisions in 2025, due primarily to cord cutting and the decline of cable subscribers and ad revenue. They will repeatedly face two prominent options: (1) separating declining businesses from the growing ones, reminiscent of past print asset spin-offs, and (2) maintaining the portfolio of assets because the content ecosystem still drives value and network separation is too complex.

6. Digital and telecom

Ongoing interest in data centers and fiber infrastructure, fueled by AI and convergence, will drive M&A activities in these sectors. Fiber operators will also continue to seek coverage and CapEx/OpEx efficiencies via consolidation. Changes in the regulatory landscape (e.g., BEAD funding availability and eligibility, net neutrality, rate caps, etc.) could create uncertainty and/or opportunities that impact profitability and return on telecom investments.

7. Impact of macro trends on other subsectors

As digitization becomes ubiquitous and the adoption of GenAI becomes more pervasive, the digital threat surface rapidly expands, so we expect that cybersecurity will continue to be a busy subsector. Increased geopolitical risks combined with modern warfare tactics (like drones targeting tanks) will drive advancements in aerospace and defense technology. In the healthcare tech sector, we anticipate innovations focused on boosting efficiencies within the $4.5 trillion US healthcare system, meeting the needs of the aging population, and advancing personalized medicine.

8. Evolving value creation

The focus is shifting away from focusing solely on rapid expansion or increasing market share and moving toward achieving profitable growth. Both corporate and PE investors are prioritizing profitability and return on investment over sheer growth, with cost and cash value levers becoming more significant. Investors are now more cautious, aiming to sidestep common investment pitfalls. Overestimating growth trajectories, cited by about two-thirds of corporates and PE firms as the top synergy gap, is a primary concern. Additionally, integration costs remain a critical challenge, especially for corporates.

9. Integration of GenAI

GenAI is accelerating "speed to value" in the deal lifecycle, enhancing due diligence and integration processes. Companies are steadily adopting GenAI, leading to productivity impacts of 15 percent or more in specific tasks. Adoption will occur in phases: retooling, reengineering, and reimagining workflows. The advent of agentic AI is both exciting and uncertain. Agents are not likely to replace all other types of AI. Rather, most companies will adopt a portfolio of fit-for-purpose tools and current AI assistants (large language models, copilots) will coexist with newer AI workers (agents, swarms, and orchestrators).

10. Supportive economic, political, and regulatory environment

The possibility of higher inflation will likely slow the pace of Federal Reserve rate cuts. KPMG Economics expects Fed Funds rate to unchanged between now and the end of 2025. Something to watch is the deviation between the direction of the Fed policy rate and government bond yields. A number of factors, including less demand for government bonds, higher anticipated prices, and the return of risk premia, have led Treasury yields to rise while the Fed funds rate falls. The 2024 election's outcome indicates potential extensions of the Tax Cuts and Jobs Act, new tariffs, and immigration policies that may affect inflation and business operations. We are watching closely to see if these policies could spark a new round of inflation and slow interest rate cuts or necessitate a rate increase heading into 2026, although this is unlikely. The regulatory landscape under the new administration should be more accommodating, yet scrutiny of big tech and larger tech deals will likely remain to some degree.

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With special thanks to: Richa Agrawal, Anjelica Armendariz, Michael Gelfand, Rob Johnson, Ashkay Kathuria, Mridani Krishna, Kathy Nichols, Tanjot Saluja, and Lara Volpe.

How we can help you

KPMG helps its clients overcome deal obstacles by taking a truly integrated approach to delivering value, leveraging its depth in the TMT industry, data-supported and tools-led insights, and full M&A capabilities across the deal lifecycle.

With a TMT specialization, our teams bring both transactional and operational experience, delivering rapid results and value creation.

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