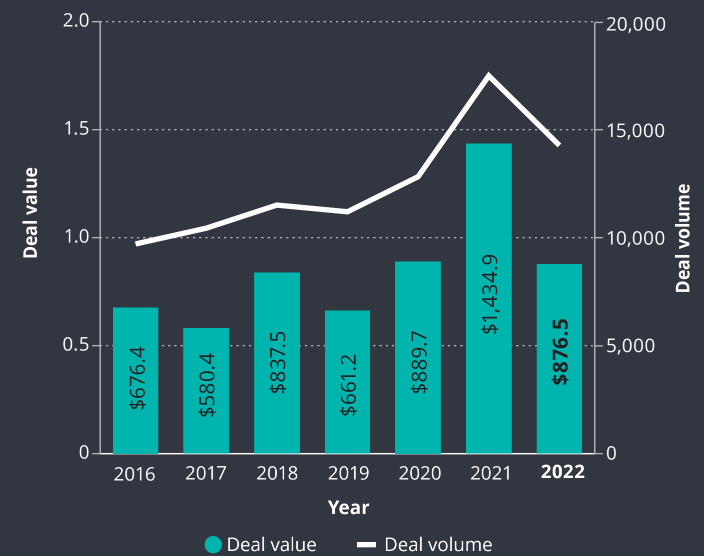
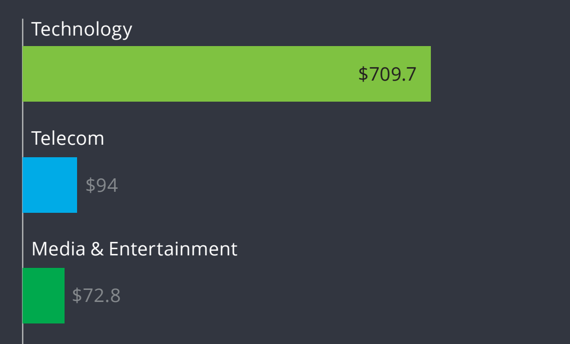
Technology, Media & Telecom

Technology, Media & Telecom deal value and volume
(in trillions of US dollars)

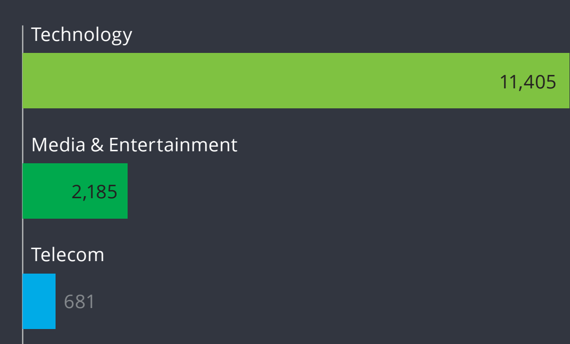


Source: Based on Deloitte's analysis of M&A data generated via the Refinitiv database on January 18, 2023.

Deal value by sector
(in billions of US dollars)



Deal volume by sector



Observations

Technology, Media & Telecom (TMT) was the most active sector with $877B worth of deals in 2022.

North America was the most active region for TMT deals, with $558B worth of deals in 2022. Europe was at a distant second, with deals worth $146B.

Among the subsectors, Technology ($710B; 11,405 deals) accounted for 81% by value and 80% by volume of the overall deals within the sector.

Private equity investors were highly active in the Technology subsector with deals worth $263B, the highest among all the subsectors.

After many years of peak valuations, 2022 saw a significant reset in valuations, and as a result, many sought-after companies in segments like software-as-a-service (SaaS) could become attractive acquisition targets for corporates and private equity alike.

Across TMT sectors, divestitures are likely to make a comeback. Many TMT companies are aiming to become smaller and more focused. Bottom-line pressure and high interest from private equity firms can make it easier to divest in 2023.

However, the year is also likely to witness continued scrutiny of M&A deals on competition grounds, increased regulations, and political interventions.

Technology

Forces shaping "new normal" conditions

Data sharing creates value but raises security concerns

- Cloud and digital transformation have led to data sharing within and across companies.
- Increased concern around data privacy and security creates a headwind for new business models.

Flexible working is forcing companies to innovate

- ERP, finance, HR, and other specialist software are becoming more strategic and less administrative.
- Businesses will need to innovate on functionalities and protection as remote working becomes more prevalent.

Cross-environment integration and use of AI are driving investments

- Leading technology companies are investing heavily in creating interoperability across cloud and on-prem IT environments.
- AI is being used in IT operations (AIOps) to orchestrate workloads and automate issue detection and resolution.

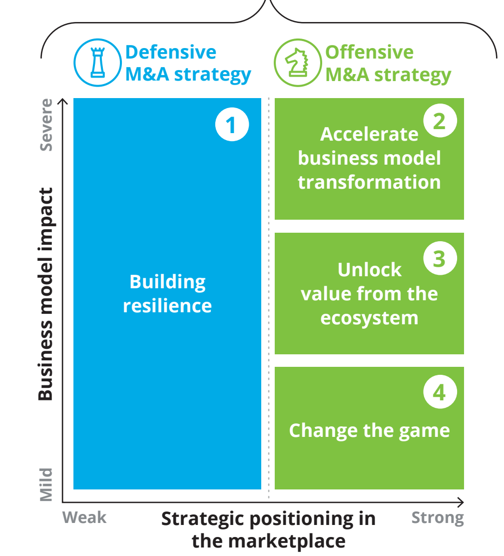
Semiconductor chip shortage likely to last through 2023

- Digital transformation is driving demand for chip designs with innovative technologies.
- This increased demand, coupled with the pandemic, has resulted in a supply shortage likely to last until 2024.

Green technology

- The ICT sector is under pressure to reduce emissions and make its products more sustainable. This is likely to spur greater investments in green data centers, fresh product design, and other sustainability areas.

CEO priorities



Short-term responses

1 Consolidation across the cloud value chain
Technology companies need to improve their competitive positioning through holistic platform solutions as opposed to point-based solutions. This could drive M&A consolidation across the cloud value chain and supplier base.

2 Specialist software vendors
Scaled HR and other ERP specialist technology companies may look to expand their offerings to adjacencies such as ESG, mental health, and well-being.

Medium-term responses

3 Proliferation of alliances
Technology is driving innovation across all sectors, and technology companies could explore alliances and JV models as an alternative pathway to access opportunities arising from technology-enabled convergence across sectors.

4 Frontier investing
The technology sector is likely to drive innovation through investments in green data centers, material science, spatial computing to drive augmented reality/virtual reality (AR/VR), AI, quantum computing, and many others.

Media & Entertainment

Forces shaping "new normal" conditions

Competition in D2C could drive spending on exclusive content creation

- Proliferation of streaming platforms is resulting in increased churn, forcing providers to tailor content and pricing models.
- Saturation in the US market is driving streaming providers to push further into international markets.

Generational divide regarding alternative types of entertainment

- Gen Zs have higher preference for video gaming and user-generated content over traditional TV and movies.
- Increased preference for user-generated content changes consumption patterns and gives rise to new platforms.

Metaverse to drive convergence in content

- Media and entertainment companies will be central to the metaverse, which will result in a convergence in traditional video content, video games, technology, and advertising.
- Immersive franchises with owned intellectual property will be able to create deep engagement and new monetization mechanisms.

Data integration should create value

- DTC content creates the ability for companies to gather additional customer information.
- Data integrations across different offerings will enable a unified view of the customer that will drive content recognition and increase ad value.

Socially conscious media

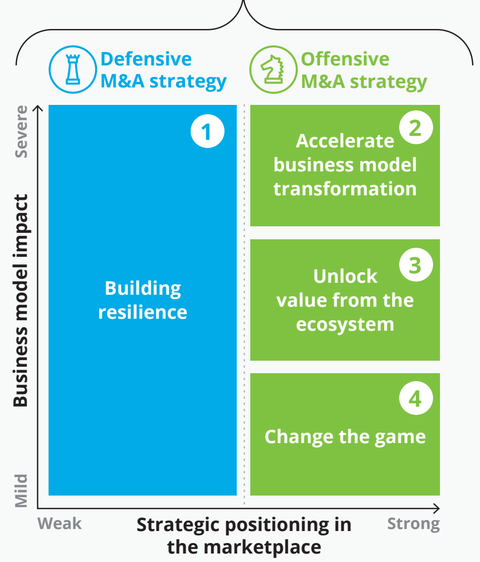
- The media sector is directly exposed to shifts in social trends, and there is heightened customer pressure for the sector to become, as well as to produce content that is, socially aware, equitable, and diverse.

Short-term responses

1 Customer retention
Companies could use M&A activities to secure premium content, acquire and retain customers, and bolster technological capabilities.

2 Investment in new capabilities
To capitalize on the disaggregation of traditional distribution networks resulting from migration to D2C media, M&E companies should acquire new capabilities to allow them to capitalize on their new relationship with the customer.

CEO priorities



Medium-term responses

3 Alliances and partnerships
Emerging areas such as the metaverse are increasingly dependent on multiparty marketplaces and ecosystems that span content creators, platforms, and consumers. The need for scale across customers, platforms, franchises/content, and technology is likely to drive landmark partnerships in the future.

4 Future portfolio
Advances in technologies, such as AI and machine recognition, are rapidly changing the media production and consumption landscape and are likely to spur greater investments in these areas.

Telecom

Forces shaping "new normal" conditions

Governments driving the growth of global fixed wireless access (FWA) connections

- Regulators now view wireless as an acceptable alternative to wired, and governments have increased funding of broadband, resulting in more operators considering 5G-enhanced FWA.

5G gaining traction

- Global carriers are expected to show distinct 5G performance improvements in the coming months.
- Improved performance will result in increased demand for 5G-enabled devices and service.

Subscriber growth and smartphone adoption likely to be sustained at elevated levels

- Underpenetrated demographics (under age 13; 50 years or older) are likely to gain net new subscribers and increase use of smartphones to facilitate remote learning and video calling.
- Government subsidies are providing for connectivity needs.

Metaverse growth and cloud migration to drive traffic volume increase

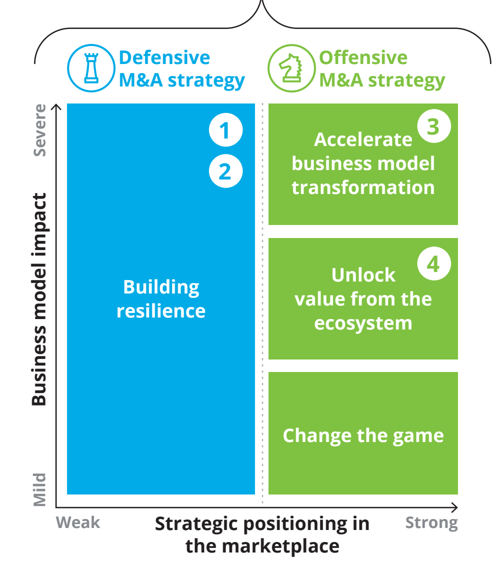
- Telecommunications infrastructure and service providers are likely to benefit from greater traffic (20x by 2032) across networks, driven by metaverse applications; however, ability to monetize increased traffic remains challenging.

Short-term responses

1 Competition for telecommunications infrastructure assets
Both financial and strategic buyers are competing for infrastructure assets; carriers will likely divest nonpriority assets, potentially including large-scale data centers, to fund other initiatives (e.g., 5G, IoT).

2 Telecom companies will continue to divest media assets
Following a run on acquisitions of media companies, telecom companies are refocusing on core capabilities.

CEO priorities



Medium-term responses

3 Adoption of 5G and cloud
Greater adoption of 5G should drive new products and services and, in turn, could spur telcoms to acquire new capabilities, such as ones to make cloud migration more feasible, and accelerate adoption of multi-cloud environments.

4 Partnerships
Telecom companies may increasingly partner with their peers as an alternative to M&A to drive operational efficiency and increase investment in areas like fiber to the home (FTTH). In addition, they should also explore cross-sector partnerships with the health and financial sectors to drive new consumer opportunities.