

Technology, Media & Telecom

Observations

Technology, Media & Telecom (TMT) closed with \$533B worth of deals in 2023, a decline of 39% in value, while volumes were stable.

North America was the most active region for TMT deals, with \$279B worth of activity in 2023. Europe was at a distant second, at \$138B.

Among the subsectors, Technology with \$357B deal value and 12,610 deals accounted for 67% by value and 82% by volume of the overall sector M&A activity.

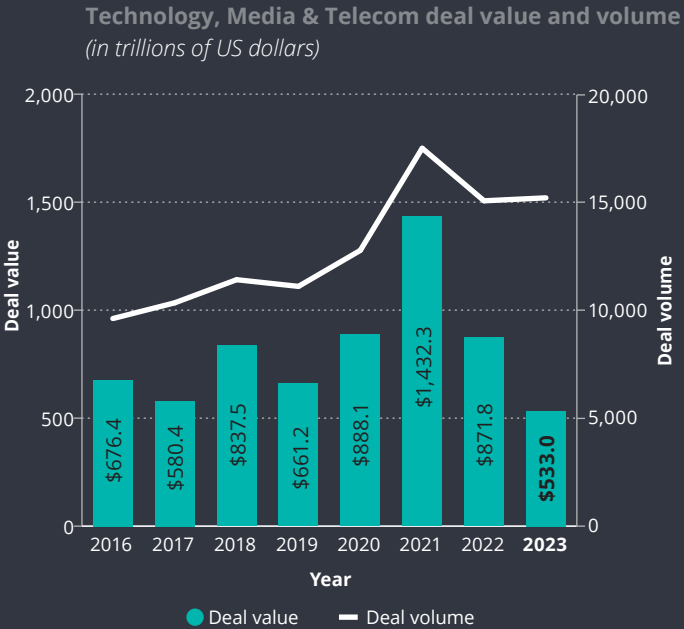
Private equity investors were most active in the Technology subsector, with deals worth \$186B.

The Media subsector witnessed a 44% increase in deal value, driven by large and megadeals. Private equity interest in publishing companies significantly contributed to this rise.

Software M&A witnessed an unprecedented decline of 43% in deal value, while IT Consulting & Services deal value declined by 44%. Tough macro conditions and lower spending on technology has severely impacted tech acquisitions.

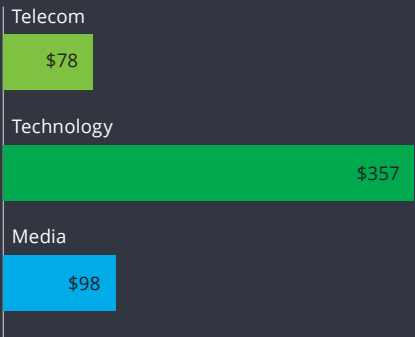
A tough regulatory environment has already impacted big tech M&A, and 2024 is also likely to witness scrutiny of alliances/ partnerships on competition grounds.

With pressure on profits, the Media industry may favor consolidation and divestitures of loss-making units.

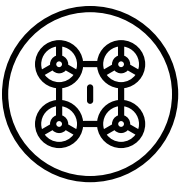
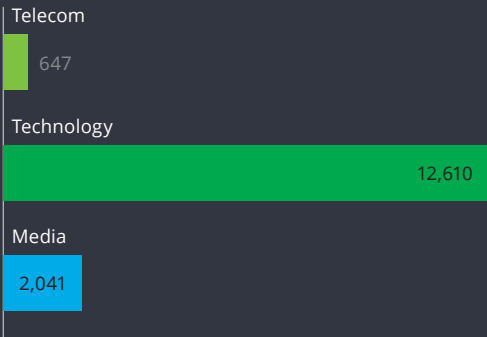


Source: Based on Deloitte's analysis of M&A data generated via the Refinitiv database on January 12, 2024.

Deal value by sector (2023)
(in billions of US dollars)



Deal volume by sector (2023)



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.

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.

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.

Flexible working is forcing companies to innovate

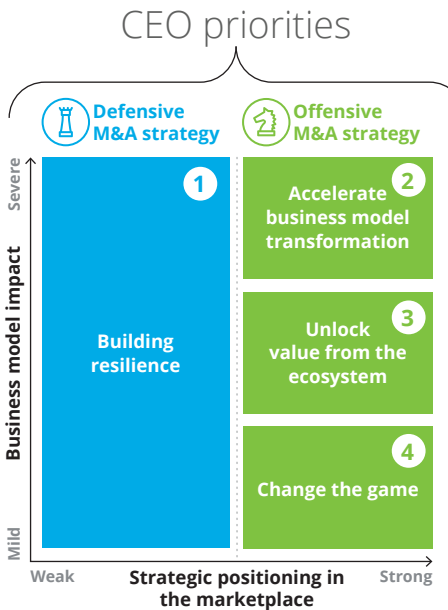
- ERP, finance, HR, and other specialist software companies are becoming more strategic and less administrative.
- Businesses will need to innovate on functionalities and protection as remote working becomes more prevalent.

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.

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.



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, 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.

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.

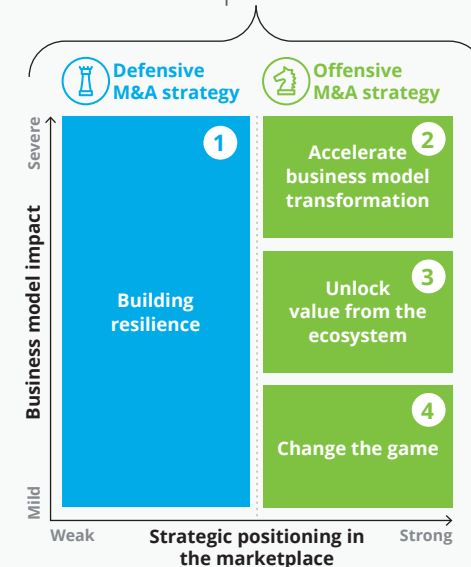
Generational divide regarding alternative types of entertainment

- Gen Z has a 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.

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.

CEO priorities



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.

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.

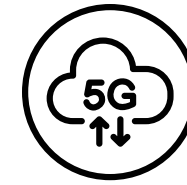
Medium-term responses

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.

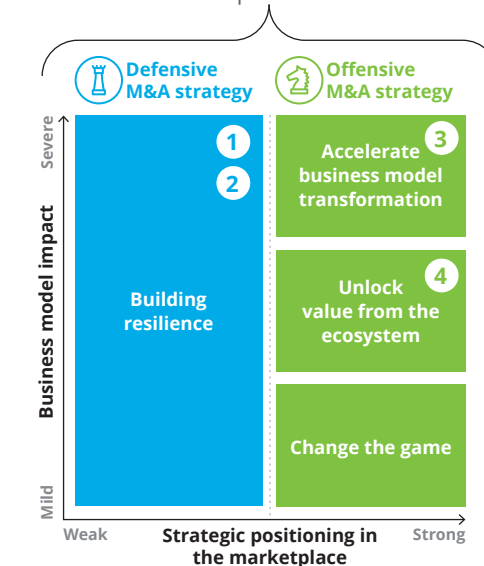
Subscriber growth and smartphone adoption likely to be sustained at elevated levels

- 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, the ability to monetize increased traffic remains challenging.

CEO priorities



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.

Medium-term responses

3 Adoption of 5G and cloud

Greater adoption of 5G should drive new products and services and, in turn, could spur telecoms 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.