



## Technology, Media, and Telecommunications (TMT) Q2 2021

## TMT trends



### Customer Experience Insights<sup>1</sup>

The digital transformation that has been accelerated by the COVID-19 pandemic has bolstered demand for customer insights. SaaS companies are uniquely positioned to take advantage of this demand by complimenting their existing service packages with business intelligence and customer experience software to provide companies with complete visibility and a comprehensive overview of their customers.



### Evolving Supply Chain<sup>2</sup>

Many manufacturers, retailers, and distributors are implementing novel strategies to transform their supply chains from cost-centers into value-drivers. A growing number of organizations are beginning to welcome the adoption of robots, drones, and advanced image recognition technologies to create more efficient physical interactions. Going forward, shared networks, technology, and data will drive efficiencies across the global supply chain.



### Cloud Gaming<sup>3</sup>

With the advent of cloud gaming, video games can now be run on powerful remote servers and send video streams to users' devices. This evolution eliminates the need for constant hardware upgrades and allows for greater access to the most popular games. Gaming companies are accelerating efforts to help enable the shift with the release of new cloud-native products, as the market is predicted to reach \$2.7 billion by 2026.



### Quantum Computing<sup>4</sup>

Quantum computing is an emerging technology that enables highly intensive computing tasks and calculations via quantum bits. While several industry experts hold that further refinements to the technology may be needed to uncover a broader base of practical applications, many smaller players in the sector have realized early success and funding.

## In this update

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## Who we are

Deloitte Corporate Finance LLC is a leading global middle market M&A adviser. Our professionals have extensive knowledge in the TMT space and use their experience to help clients enhance value.

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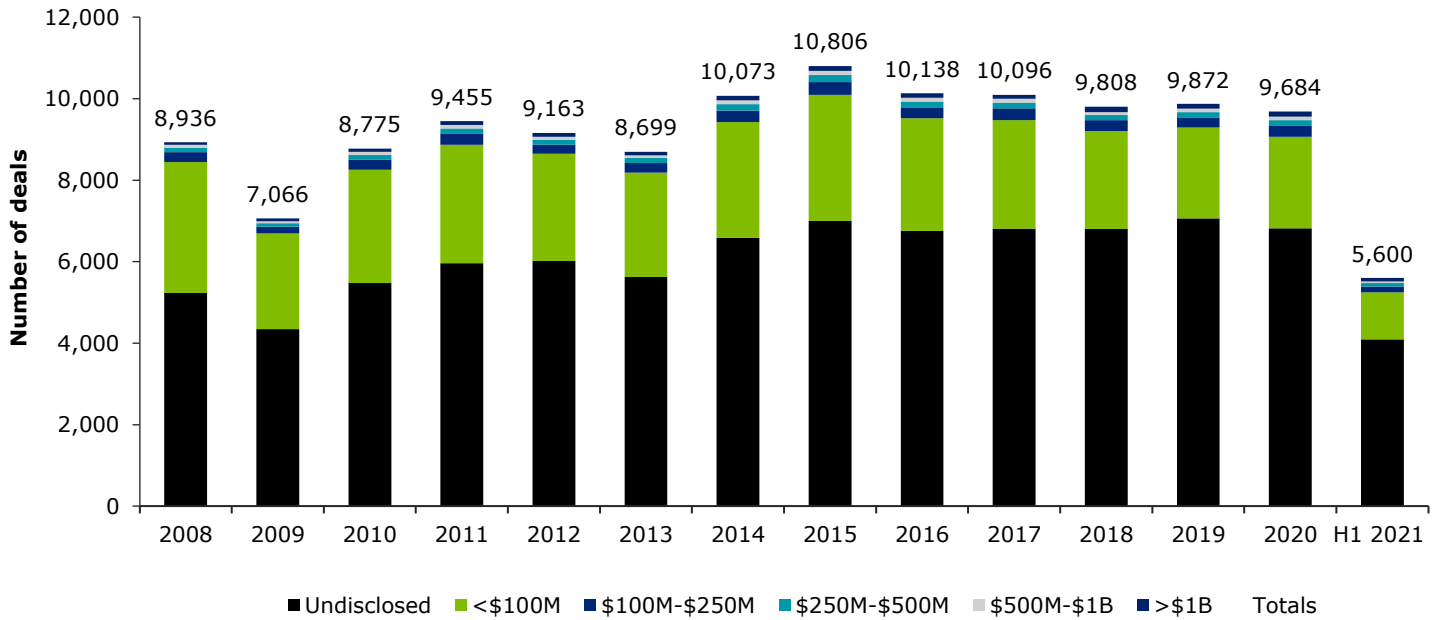
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## TMT M&A Trends & Outlook

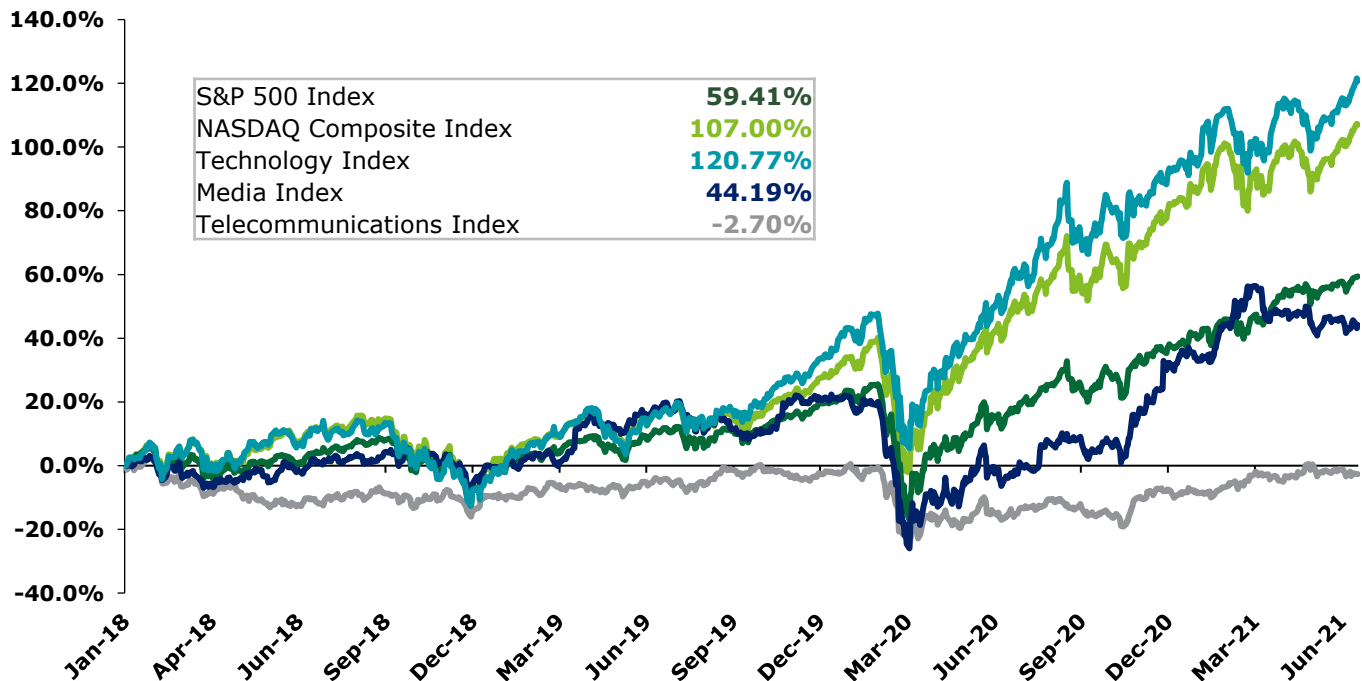
- Global M&A activity reached \$1 trillion in Q2 2021, up 16% compared to Q1 2021 with the highest total of any quarter on record since 2006. TMT was at the forefront, leading in deal value and volume. A total value of \$511 billion in TMT deals was announced in Q2 2021, representing a substantial increase from Q1 2021's previous record high of \$374 billion.<sup>5</sup>
- The U.S. was the most active country globally within the TMT M&A market in Q2 2021, making up 55% of the global TMT M&A market, representing \$280 billion in total value.<sup>5</sup>
- Despite the disruption wreaked by the pandemic, the tech sector was largely immune and, in many ways, benefited from the crisis. Financial sponsor limited partners are demonstrating a stronger appetite for co-investments and as such, U.S. PE firms likely have close to \$1 trillion in dry powder, ready to deploy.<sup>6</sup>
- The outlook for TMT M&A remains favorable for the remainder of 2021, with activity levels anticipated to be closely influenced by how high valuations trend in the public and private markets. Sellers in the technology space will likely continue to benefit from corporations in other industries looking to innovate their businesses, achieve scale, and accelerate growth as the global economy digitizes.<sup>7</sup>

## Annual TMT global M&A transaction volume<sup>1</sup>



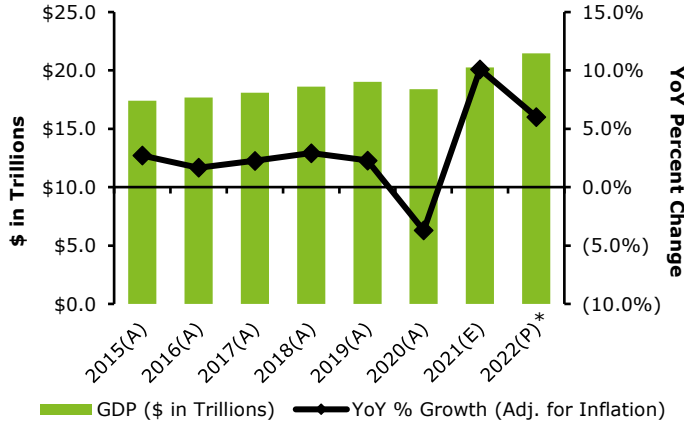
## TMT trading statistics<sup>2</sup>

- Since January 2018, returns from a broad index of publicly traded technology stocks<sup>1</sup> have outperformed that of the broader S&P 500 by roughly 61%.
- The technology sectors' ability to continually release differentiated products for its customers and streamline antiquated processes has sparked interest from public investors in a post-lockdown, pandemic recovery environment.



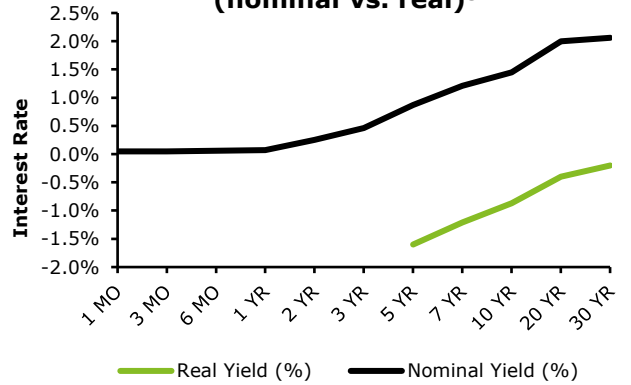
## Macroeconomic outlook

### U.S. gross domestic product<sup>1,2</sup>



\* The IMF has not made GDP projections past 2022 due to COVID-19 induced uncertainty.

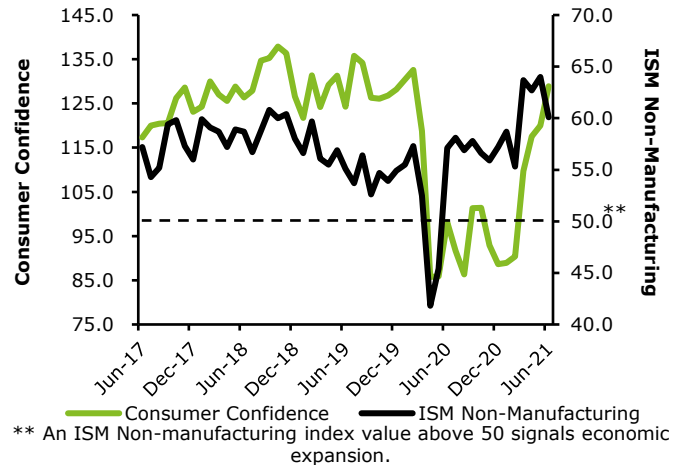
### U.S. treasury yield curve (nominal vs. real)<sup>3</sup>



### U.S. unemployment rate (% unemployed)<sup>4</sup>

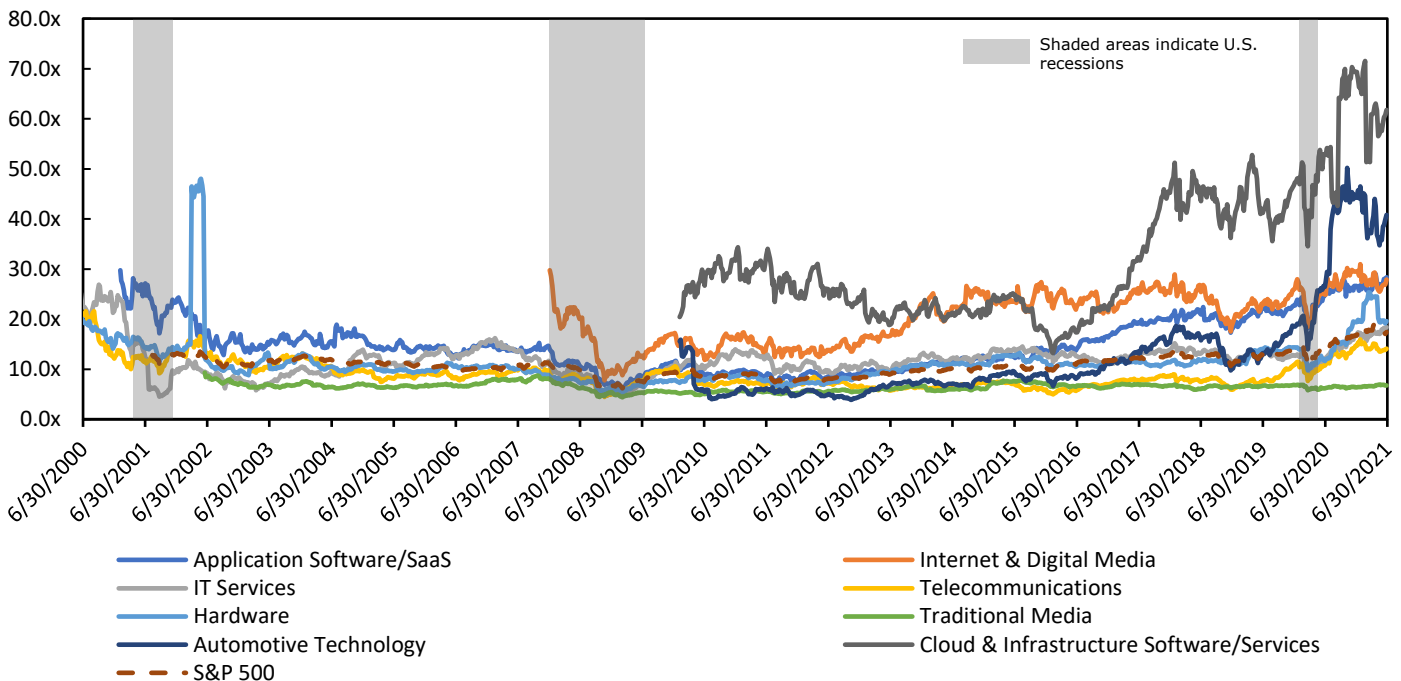


### ISM non-manufacturing index and consumer confidence index<sup>5</sup>

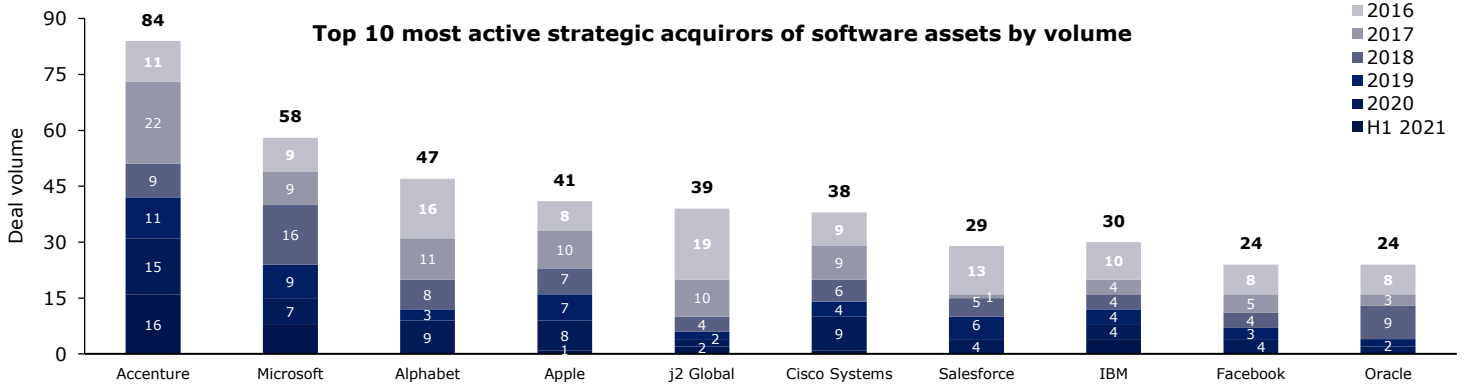


\*\* An ISM Non-manufacturing index value above 50 signals economic expansion.

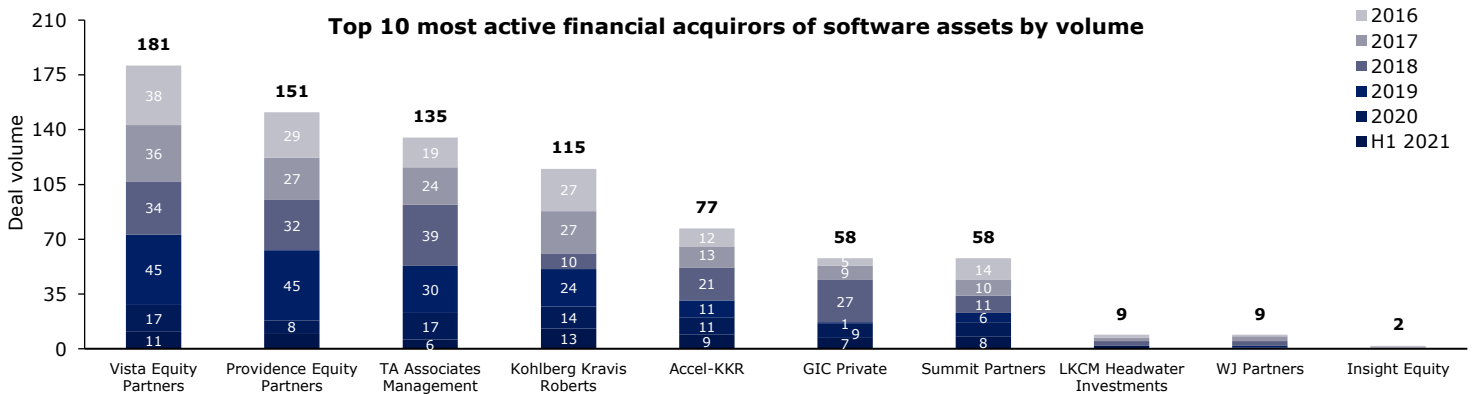
## COVID-19 impact on TMT trading multiples - LTM EV/EBITDA<sup>5,6</sup>



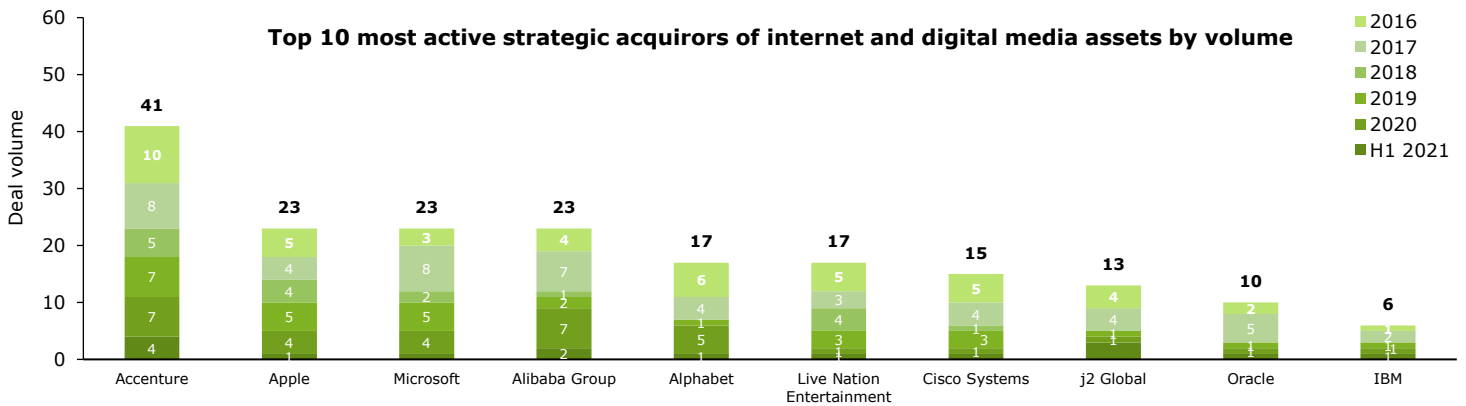
## Software acquisition activity – strategic acquirors<sup>1</sup>



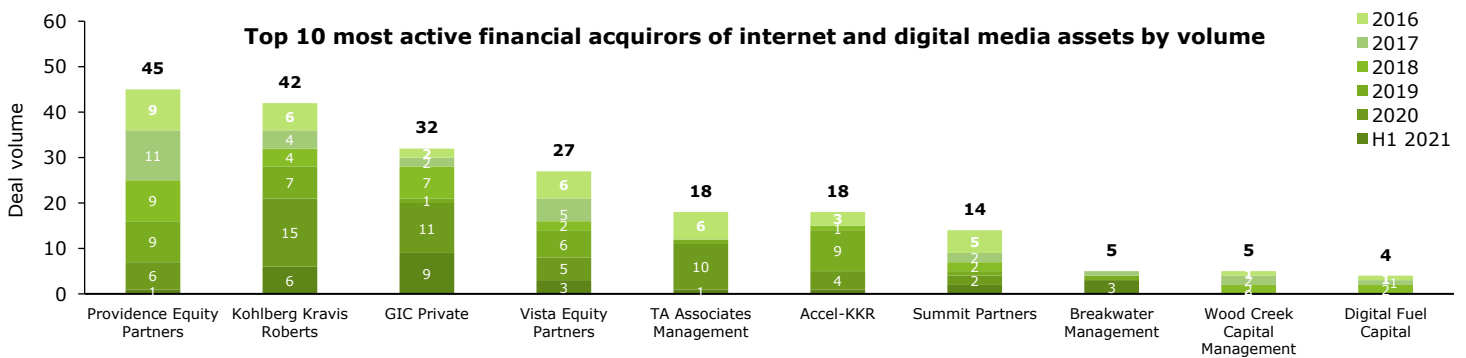
## Software acquisition activity – financial acquirors<sup>1</sup>



## Internet and digital media acquisition activity – strategic acquirors<sup>1</sup>



## Internet and digital media acquisition activity – financial acquirors<sup>1</sup>





**Public comparables analysis<sup>1,2</sup> (cont.)**

Company (Ticker)	% of 52 Week High	LTM Revenue	Revenue CAGR (3 Yr)	LTM EBITDA	EBITDA Margin	Enterprise Value ("EV")	Last Twelve Months		Next Twelve Months	
							EV/ Revenue	EV/ EBITDA	EV/ Revenue	EV/ EBITDA
<b>Traditional Media (18)</b>										
Discovery, Inc. (NasdaqGS:DISC.A)	39.3 %	\$11,301	9.2 %	\$3,787	33.5 %	\$32,235	2.9 x	8.5 x	2.6 x	8.7 x
Fox Corporation (NasdaqGS:FOXA)	82.9	12,909	8.3	3,087	23.9	24,109	1.9	7.8	1.8	8.5
Fuji Media Holdings, Inc. (TSE:4676)	81.9	4,605	(7.3)	321	7.0	3,311	0.7	10.3	0.7	8.2
Hakuhodo DY Holdings Inc (TSE:2433)	87.1	10,897	(3.8)	656	6.0	4,842	0.4	7.4	0.4	8.7
Lagardere SA (ENXTPA:MMB)	73.2	5,300	(14.8)	85	1.6	7,918	1.5	NM	1.4	27.2
Meredith Corporation (NYSE:MDP)	99.7	2,977	9.6	675	22.7	4,957	1.7	7.3	1.7	9.6
News Corporation (NasdaqGS:NWSA)	92.2	9,358	1.2	1,036	11.1	16,589	1.8	16.0	1.8	11.2
Omnicom Group Inc. (NYSE:OMC)	92.6	13,962	(3.2)	2,172	15.6	19,157	1.4	8.8	1.3	8.2
Pearson plc (LSE:PSO)	91.3	4,837	(6.8)	659	13.6	9,743	2.0	14.8	2.0	11.3
Publicis Groupe S.A. (ENXTPA:PUB)	94.4	13,046	7.2	2,427	18.6	19,862	1.5	8.2	1.7	7.3
Sirius XM Holdings Inc. (NasdaqGS:SIRI)	80.3	8,431	14.7	2,500	29.7	35,902	4.3	14.4	4.2	13.9
The Interpublic Group of Companies, Inc. (NYSE:IPG)	94.4	8,536	3.6	1,690	19.8	15,555	1.8	9.2	1.8	9.8
The New York Times Company (NYSE:NYT)	74.2	1,881	3.9	288	15.3	6,364	3.4	22.1	3.1	19.2
The Walt Disney Company (NYSE:DIS)	86.6	58,348	0.8	6,499	11.1	359,618	6.2	55.3	4.6	27.3
Thomson Reuters Corporation (TSX:TRI)	100.0	6,171	4.7	1,516	24.6	50,918	8.3	33.6	8.1	26.1
Vivendi SE (ENXTPA:VIV)	87.6	19,842	7.3	2,715	13.7	40,286	2.0	14.8	2.0	12.5
Wolters Kluwer N.V. (ENXTAM:WKL)	99.3	5,441	2.8	1,637	30.1	28,951	5.3	17.7	5.2	17.0
WPP plc (LSE:WPP)	95.3	17,337	(7.1)	1,658	9.6	21,076	1.2	12.7	1.5	8.5
<b>Median</b>	<b>89.4 %</b>		<b>3.2 %</b>		<b>15.4 %</b>		<b>1.8 x</b>	<b>12.7 x</b>	<b>1.8 x</b>	<b>10.5 x</b>
<b>Mean</b>	<b>86.2 %</b>		<b>1.7 %</b>		<b>17.1 %</b>		<b>2.7 x</b>	<b>15.8 x</b>	<b>2.6 x</b>	<b>13.5 x</b>
<b>Telecommunications (17)</b>										
Alice USA, Inc. (NYSE:ATUS)	89.1 %	\$9,964	2.0 %	\$4,337	43.5 %	\$42,937	4.3 x	9.9 x	4.2 x	9.4 x
América Móvil, S.A.B. de C.V. (BMV:AMX L)	92.0	51,010	(0.1)	14,655	28.7	78,886	1.5	5.4	1.6	4.8
AT&T Inc. (NYSE:T)	84.9	176,015	3.6	52,796	30.0	397,435	2.3	7.5	2.3	7.4
China Mobile Limited (SEHK:941)	80.4	127,279	3.4	42,785	33.6	55,426	0.4	1.3	0.4	1.2
Comcast Corporation (NasdaqGS:CMCS.A)	96.5	108,991	7.5	31,857	29.2	353,339	3.2	11.1	3.0	10.2
Deutsche Telekom AG (XTRA:DTE)	98.7	130,240	13.0	42,041	32.3	255,539	2.0	6.1	2.0	5.5
Konica Minolta, Inc. (TSE:4902)	93.3	8,291	(4.4)	792	9.5	5,434	0.7	6.9	0.6	6.2
Liberty Global plc (NasdaqGS:LBTY.A)	93.4	13,102	3.2	4,862	37.1	28,858	2.2	5.9	2.8	7.2
Motorola Solutions, Inc. (NYSE:MSI)	99.5	7,532	4.7	2,044	27.1	41,138	5.5	20.1	5.0	17.1
Nippon Telegraph and Telephone Corporation (TSE:9432)	95.9	108,763	0.7	25,049	23.0	163,552	1.5	6.5	1.5	5.6
Nokia Corporation (HLSE:NOKIA)	91.2	26,365	(0.2)	3,863	14.7	26,771	1.0	6.9	1.0	8.2
Orange S.A. (ENXTPA:ORA)	86.3	50,235	1.1	15,210	30.3	67,840	1.4	4.5	1.4	4.5
Ricoh Company, Ltd. (TSE:7752)	87.3	15,810	(5.2)	758	4.8	6,740	0.4	8.9	0.4	4.8
SoftBank Corp. (TSE:9434)	96.6	48,564	NA	NA	NA	100,485	2.1	NA	2.0	6.5
Telefónica, S.A. (BME:TEF)	90.8	50,442	(5.8)	13,072	25.9	69,039	1.4	5.3	1.4	4.3
Verizon Communications Inc. (NYSE:VZ)	90.4	132,866	0.8	49,144	37.0	407,138	3.1	8.3	3.0	8.3
Vodafone Group Plc (LSE:VOD)	85.0	51,419	(2.0)	14,157	27.5	117,635	2.3	8.3	2.2	6.6
<b>Median</b>	<b>91.2 %</b>		<b>0.9 %</b>		<b>29.0 %</b>		<b>2.0 x</b>	<b>6.9 x</b>	<b>2.0 x</b>	<b>6.5 x</b>
<b>Mean</b>	<b>91.3 %</b>		<b>1.4 %</b>		<b>27.1 %</b>		<b>2.1 x</b>	<b>7.7 x</b>	<b>2.1 x</b>	<b>6.9 x</b>
<b>Automotive Technology (6)</b>										
Aptiv PLC (NYSE:APTIV)	98.2 %	\$15,710	4.2 %	\$2,350	15.0 %	\$43,968	2.8 x	18.7 x	2.7 x	17.3 x
CDK Global, Inc. (NasdaqGS:CDK)	89.5	1,673	(2.4)	536	32.0	7,488	4.5	14.0	4.3	10.9
DENSO Corporation (TSE:6902)	95.1	49,817	1.6	6,432	12.9	52,151	1.0	8.1	1.0	7.2
NVIDIA Corporation (NasdaqGS:NVDA)	99.2	19,256	20.6	6,973	36.2	493,533	25.6	NM	19.4	46.9
Qiming Information Technology Co.,Ltd (SZSE:002232)	69.2	243	(1.7)	28	11.3	597	2.5	21.7	NA	NA
Visteon Corporation (NasdaqGS:VC)	82.0	2,890	(2.7)	220	7.6	3,434	1.2	15.6	1.1	12.4
<b>Median</b>	<b>92.3 %</b>		<b>(0.0) %</b>		<b>13.9 %</b>		<b>2.6 x</b>	<b>15.6 x</b>	<b>2.7 x</b>	<b>12.4 x</b>
<b>Mean</b>	<b>88.9 %</b>		<b>3.3 %</b>		<b>19.2 %</b>		<b>6.3 x</b>	<b>15.6 x</b>	<b>5.7 x</b>	<b>18.9 x</b>
<b>Cloud and Infrastructure Software / Services (16)</b>										
Box, Inc. (NYSE:BOX)	95.4 %	\$790	14.3 %	\$41	5.2 %	\$4,237	5.4 x	NM x	4.9 x	17.2 x
Cloudera, Inc. (NYSE:CLDR)	82.0	883	30.6	(12)	NM	4,407	5.0	NM	4.7	16.0
DigitalOcean Holdings, Inc. (NYSE:DOCN)	96.0	366	NA	64	17.5	5,347	14.6	NM	12.4	40.4
Inovalon Holdings, Inc. (NasdaqGS:INOV)	99.3	719	14.7	212	29.5	6,208	8.6	29.2	7.9	22.1
MicroStrategy Incorporated (NasdaqGS:MSTR)	50.5	507	0.1	86	16.9	8,662	17.1	NM	17.0	NM
New Relic, Inc. (NYSE:NEWR)	82.6	686	21.4	(167)	NM	4,059	5.9	NM	5.7	NM
Nutanix, Inc. (NasdaqGS:NTNX)	93.9	1,332	6.4	(613)	NM	8,008	6.0	NM	5.3	NM
New Relic, Inc. (NYSE:NEWR)	82.6	686	21.4	(167)	NM	4,059	5.9	NM	5.7	NM
Pegasystems Inc. (NasdaqGS:PEGA)	93.5	1,164	9.9	(38)	NM	11,545	9.9	NM	8.9	NM
Rackspace Technology, Inc. (NasdaqGS:RXT)	74.2	2,868	NA	624	21.7	8,010	2.8	12.8	2.6	10.3
Snowflake Inc. (NYSE:SNOW)	56.4	712	NA	(640)	NM	66,696	93.7	NM	52.9	NM
Splunk Inc. (NasdaqGS:SPLK)	64.0	2,297	18.1	(762)	NM	24,389	10.6	NM	9.2	NM
Teradata Corporation (NYSE:TDC)	83.9	1,927	(4.3)	361	18.7	5,442	2.8	15.1	2.8	10.6
Verint Systems Inc. (NasdaqGS:VRNT)	58.0	1,289	3.5	187	14.5	3,428	2.7	18.4	3.9	14.4
Verisk Analytics, Inc. (NasdaqGS:VRSK)	82.9	2,890	7.9	1,306	45.2	31,444	10.9	24.1	10.4	21.3
VMware, Inc. (NYSE:VMW)	93.0	12,027	14.1	2,919	24.3	67,350	5.6	23.1	5.1	14.3
<b>Median</b>	<b>82.8 %</b>		<b>14.1 %</b>		<b>18.7 %</b>		<b>6.0 x</b>	<b>20.7 x</b>	<b>5.7 x</b>	<b>16.0 x</b>
<b>Mean</b>	<b>80.5 %</b>		<b>12.2 %</b>		<b>21.5 %</b>		<b>13.0 x</b>	<b>20.4 x</b>	<b>10.0 x</b>	<b>18.5 x</b>

## Sources cited

### Page 2:

1. Accenture, Cloud and big data: What you need to know in 2021 and beyond <https://www.accenture.com/us-en/blogs/cloud-computing/cloud-and-big-data-what-you-need-to-know-in-2021-and-beyond?ru=%2Fus-en%2Fblogs%2Fcloud-computing%2Fcloud-and-big-data-what-you-need-to-know-in-2021-and-beyond>, accessed June 2021.
2. Deloitte, Tech Trends 2021, [https://www2.deloitte.com/content/dam/insights/articles/6730\\_TT-Landing-page/DI\\_2021-Tech-Trends.pdf](https://www2.deloitte.com/content/dam/insights/articles/6730_TT-Landing-page/DI_2021-Tech-Trends.pdf), Accessed June 2021.
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### Page 3:

1. S&P Capital IQ, <https://www.capitaliq.com>, accessed June 2021. Data as of June 30, 2021.
2. Technology Index comprised of companies within the Application Software/SaaS, IT Services, Hardware, and Internet & Digital Media buckets on pages 6 & 7. Media Index comprised of companies within the Traditional Media bucket on pages 6 & 7. Telecommunications Index comprised of companies within the Telecommunications bucket on pages 6 & 7.

### Page 4:

1. U.S. Bureau of Economic Analysis, accessed June 2021. Data as of June 30, 2021.
2. Organisation for Economic Co-operation and Development, accessed June 2021. Data as of June 30, 2021.
3. U.S. Department of the Treasury, accessed June 2021. Data as of June 30, 2021.
4. Bureau of Labor Statistics, accessed June 2021. Data as of June 30, 2021.
5. S&P Capital IQ, <https://www.capitaliq.com>, accessed June 2021. Data as of June 30, 2021.
6. Sub-industry indices are comprised of companies depicted in pages 6 & 7 within respective industry buckets. Sub-industry metrics are enterprise value weighted.

### Page 5:

1. S&P Capital IQ, <https://www.capitaliq.com>, accessed June 2021. Data as of June 30, 2021.

### Pages 6-7:

1. S&P Capital IQ, <https://www.capitaliq.com>, accessed June 2021. Data as of June 30, 2021.
2. LTM and NTM EBITDA metrics greater than 60.0x and less than 0.0x are denoted as NM.



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DCF provides deal execution and lead financial advisory services to large corporate, middle market, private equity and venture capital firms. DCF and its affiliates maintain a presence in key U.S. financial centers.

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