



Insights from TMT M&A Forum USA 2024

D.A. Davidson's Technology Investment Banking Group recently attended the 2024 TMT M&A Forum USA held at The Metropolitan Club in New York. Speakers at the event focused on the latest financing and M&A trends, the transformative impact of AI, and the evolving ecosystems of data centers, fiber, towers, and connectivity.

5 Key Takeaways from TMT M&A Forum 2024:

1. M&A AND FINANCING

Digital infrastructure transactions have been somewhat insulated from the broader M&A trends over the past 18 months due to the sector's importance to the digital economy, recurring cash flows, and tangible assets. As the interest rate environment continues to improve, there will likely be an increase in the volume of transactions, valuations, and deal size. As the sector evolves, new deal structures will create opportunities for a diversified investor pool. Real estate and infrastructure equity funds dominate with low-cost capital, but private equity is filling critical gaps. In addition, on the debt side, infrastructure debt funds and other institutional debt investors, as well as traditional commercial banks and project finance/real estate lenders are expected to be especially active in providing construction financing. The industry is expecting to see more large cap deals such as the recently announced up to \$100 billion Global AI Infrastructure Investment Partnership (GAIIIP) between BlackRock, GIP, Microsoft, and MGX.

2. FIBER CONSOLIDATION

There are hundreds of small fiber providers in the U.S. and more consolidation is expected. Fiber to the Home (FTTH) will remain a strong segment, with a continued focus on getting high speed broadband to rural and other areas impacted by the digital divide. More large cap deals are expected to occur in 2025. Panelists at the conference predict that many of the M&A deals will involve the mid-tier fiber providers buying the small operators and integrating them into a company with streamlined processes. Then, those mid-tier companies will approach the Tier 1s with an offer to sell.



3. NAVIGATING THE DATA CENTER ENERGY TRANSITION

The rising demand for new data center capacity to meet growing artificial intelligence (AI) demand will require enormous amounts of new capital that will be conditioned upon access to reliable energy sources. Because of these constraints, power availability is beginning to outweigh tenant importance when seeking investment for developments. As a result, securing long-term power sources is a top priority. Navigating bottlenecks around power, exploring the need for sustainable approaches to power generation and consumption, and analyzing new sources of energy were all key topics discussed throughout the conference. Innovative strategies are emerging to deal with rising power constraints as seen with Constellation Energy and Microsoft's recently signed power purchase agreement to restart the Three Mile Island nuclear Unit 1 in Pennsylvania to power Microsoft data centers.

4. ARTIFICIAL INTELLIGENCE

Data centers will need to meet growing Generative AI demand, but there are limitations. There seems to be an insatiable appetite for new data center capacity to meet growing AI demand, with conference panelists suggesting that it could take upwards of \$5–\$6 trillion of new capital to build out the necessary infrastructure to fully realize Generative AI's potential. This excitement is tempered by the reality of power limitations, access to capital, and adequate fiber infrastructure.

5. PRIVATE WIRELESS NETWORKS

5G is set to revolutionize private wireless networks and as technologies such as edge computing, AI, and IoT continue to evolve, the potential use cases for private wireless networks are expanding. With its ability to facilitate larger volumes of data, support more connected devices, and offer low latency, 5G opens up many possibilities for private wireless networks. Private 5G networks will be a hot topic for years, as their evolution spurs new opportunities and use cases.

Until next time,

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