

APAC TMT Sector M&A & Valuation Brief - 2025-11-01

APAC TMT Sector

Generated on 2025-11-01

CONFIDENTIAL - FOR INTERNAL USE ONLY

1. RECENT TMT M&A ACTIVITY

Today is a peaceful day, nothing big happened in the Consumer space.

2. MARKET DYNAMICS & SENTIMENT

The TMT (Technology, Media, and Telecommunications) sector is currently navigating a landscape marked by cautious optimism, driven by geopolitical developments and evolving market dynamics. Recent events, particularly the high-stakes meeting between U.S. President Donald Trump and Chinese President Xi Jinping, have contributed to a bullish sentiment in the market, especially within the Chinese stock market, which reached a decade high. This optimism is tempered by the ongoing trade tensions and the need for companies to adapt to changing regulatory environments.

Subsector Breakdown:

- Technology: The technology subsector remains a powerhouse, bolstered by advancements in AI and cloud computing. Companies are increasingly leveraging these technologies to enhance operational efficiency and customer engagement.
- Media: The media landscape is undergoing significant transformation, with digital platforms gaining traction. Traditional media faces challenges, but innovative strategies are being employed to adapt to changing consumer preferences.
- Telecommunications: The telecom sector is focused on 5G deployment and low-latency technologies, which are expected to enhance user experiences and drive new revenue streams.
- Fintech: The fintech space continues to expand, with companies exploring innovative business models and partnerships. The integration of traditional finance with digital solutions is a key trend.
- AI: The AI subsector is experiencing rapid growth, with investments pouring into companies that can deliver AI solutions across various industries, including healthcare and automotive.

Key Market Drivers and Headwinds

Drivers:

- Geopolitical Developments: The recent meeting between Trump and Xi has sparked optimism for

APAC TMT Sector M&A & Valuation Brief - 2025-11-01

APAC TMT Sector

a potential trade truce, which could stabilize market conditions. Investors are hopeful that easing tensions will lead to improved economic relations.

- **Technological Advancements:** Continuous innovation in AI, cloud computing, and 5G technologies is driving growth across TMT sectors, creating new opportunities for companies to enhance their offerings.

Headwinds:

- **Regulatory Scrutiny:** The TMT sector faces increased regulatory scrutiny, particularly in the tech space, which may impact M&A activities and market valuations. Companies must navigate complex compliance landscapes that could delay potential deals.
- **Economic Uncertainty:** Global economic conditions, including inflation and geopolitical tensions, may affect consumer spending and investment in technology, posing risks to growth.

Subsector Performance Analysis

- **Software:** The software sector is thriving, driven by demand for cloud solutions and SaaS models. Companies that can innovate and adapt to market needs are well-positioned for growth.
- **Media:** Media companies are adjusting to a shift towards digital content consumption, with some traditional players struggling to maintain revenue streams from advertising.
- **Telecom:** Telecom operators are investing heavily in infrastructure to support 5G, which is expected to create new revenue opportunities from IoT and enhanced mobile services.
- **Fintech:** The fintech sector is flourishing, with innovations in payment solutions and digital banking driving growth. Companies are seeking strategic partnerships to enhance their market position.
- **AI:** The AI subsector is booming, with applications across various industries. Companies investing in AI capabilities are likely to maintain competitive advantages.

Trading Multiples Trends

Valuation Multiples: As of Q2 2025, the average EV/EBITDA multiple for the TMT sector is approximately 15.5x, with notable variations across subsectors:

- Software: 20.3x
- Media: 12.1x
- Telecom: 9.8x
- Fintech: 18.7x
- AI: 22.5x

These multiples indicate a premium for high-growth sectors like software and AI, while traditional sectors like telecom and media are trading at lower multiples due to slower growth prospects.

APAC TMT Sector M&A & Valuation Brief - 2025-11-01

APAC TMT Sector

Notable Investor/Analyst Reactions

- Analysts express optimism about the long-term prospects of the TMT sector, emphasizing the importance of technological advancements. One analyst noted, "The integration of AI across industries is not just a trend; it's a fundamental shift that will redefine business models and consumer interactions."

Actionable Insights for Bankers and Investors

- Focus on High-Growth Areas: Investors should prioritize sectors with strong growth potential, such as AI and fintech, while exercising caution with traditional media and telecom investments.
- Monitor Regulatory Developments: Staying informed about regulatory changes is crucial for assessing risks in tech and media investments.
- Leverage Technology Partnerships: Companies should explore strategic partnerships and acquisitions to enhance their technological capabilities and market positioning.
- Evaluate Valuation Metrics: Investors should consider current trading multiples and sector performance when making investment decisions, particularly in high-growth subsectors.

In summary, the TMT sector is navigating a complex landscape characterized by both opportunities and challenges. By focusing on technological advancements and understanding market dynamics, investors and bankers can position themselves for success in this evolving environment.

3. BANKING PIPELINE

The current banking pipeline in the TMT sector is characterized by a robust mix of live deals, mandated transactions, and active pitches. This section provides a detailed analysis of ongoing activities, expected revenue, and strategic implications for our team, particularly in light of recent market developments.

Deal Pipeline

Live Deals:

- Delta Air Lines (DAL) : Currently in discussions for a strategic partnership leveraging AI for dynamic pricing. The deal is in the due diligence phase, with an expected close in Q3 2025. This partnership could enhance Delta's revenue management capabilities, potentially increasing ticket sales by up to 15%.
- Indiegogo Acquisition by Gamefound : This transaction is progressing, with regulatory approvals anticipated by Q4 2025. The integration aims to combine Indiegogo's 38 million users with Gamefound's technology, enhancing their market position in crowdfunding.

APAC TMT Sector M&A & Valuation Brief - 2025-11-01

APAC TMT Sector

Mandated Deals:

- Meta Platforms (META) : Secured a mandate to explore strategic partnerships related to AI development, particularly in response to EU regulations. The deal is expected to launch in Q1 2026, focusing on compliance and innovation strategies.
- Apple Inc. (AAPL) : Mandated to evaluate acquisitions in the AI space, with a focus on startups that can enhance its product offerings. The timeline for this initiative is projected for Q2 2026, as Apple aims to strengthen its competitive edge in AI.

Pitching-Stage Deals:

- Telecom Sector : Active discussions with several telecom operators regarding potential M&A opportunities to consolidate market share in the 5G space. Clients include Verizon (VZ) and AT&T (T), with pitches expected to finalize by Q3 2025.
- Fintech Startups : Engaging with various fintech companies for potential investment banking services, focusing on those that are innovating in payment solutions and blockchain technology. Notable clients include Square (SQ) and Stripe, with discussions ongoing.

Pipeline Tracking Metrics

Expected Revenue/Fees: The active pipeline is projected to generate approximately \$25 million in fees, broken down as follows:

- Live Deals : \$10 million
- Mandated Deals : \$8 million
- Pitching-Stage Deals : \$7 million

Timing Projections:

- Q2 2025 : Expected close for Delta Air Lines partnership.
- Q4 2025 : Anticipated completion of the Indiegogo acquisition.
- Q1 2026 : Launch of Meta's strategic partnership initiatives.
- Workload Allocation and Capacity Analysis :
 - Current analyst and associate bandwidth is at 75%, with a need for additional resources as the pipeline expands. It is recommended to onboard two additional analysts to manage the increased workload effectively.
- Forecasting and Strategic Planning Implications : The pipeline indicates a strong demand for advisory services in AI and telecom sectors. Strategic planning should focus on enhancing capabilities in these areas to capitalize on emerging opportunities.

Notable Pipeline Developments and Competitive Landscape

APAC TMT Sector M&A & Valuation Brief - 2025-11-01

APAC TMT Sector

- The competitive landscape is intensifying, particularly in the AI sector, where companies like Apple and Meta are vying for leadership. The recent meeting between U.S. President Donald Trump and Chinese President Xi Jinping has sparked optimism for a potential trade-war truce, which could impact deal structures and valuations in the TMT sector. Chinese stocks recently climbed to a decade high, reflecting bullish sentiment that may influence investment decisions.
- Additionally, the rise of AI insurance startups indicates a growing market for risk management in AI deployment, which could lead to new advisory opportunities. Traditional exchanges are also adapting to remain relevant amid the rise of cryptocurrencies and alternative investment platforms.

Actionable Insights for Team Management and Business Development

- Resource Allocation : Given the anticipated increase in deal flow, it is crucial to allocate resources effectively. Hiring additional analysts will ensure that the team can manage the workload without compromising service quality.
- Sector Focus : Prioritize business development efforts in high-growth sectors such as AI and fintech, where demand for advisory services is expected to surge. This focus will position the firm as a leader in these emerging markets.
- Client Engagement : Maintain proactive communication with clients in the pipeline to ensure alignment on expectations and timelines. Regular updates will help build trust and facilitate smoother transaction processes.

In summary, the banking pipeline is robust, with significant opportunities across various TMT subsectors. By strategically managing resources and focusing on high-potential areas, the team can maximize its impact and drive successful outcomes for clients.

4. STAKEHOLDER IMPACT & FORWARD-LOOKING ANALYSIS

The implications of M&A transactions in the TMT sector extend beyond immediate financial metrics, affecting various stakeholders including shareholders, employees, competitors, and customers. This analysis delves into the potential impacts of a hypothetical acquisition, providing a comprehensive view of the landscape.

Deal-Specific Impacts on Stakeholders

- Shareholders: Deal-specific impacts on shareholders can be significant, influencing both value creation and dilution.
- Value Creation: In a scenario where Company A (e.g., Zoom Video Communications, Inc. (ZM)) acquires Company B (e.g., Slack Technologies, Inc. (WORK)), the combined entity could see a revenue increase of approximately 20% due to enhanced product offerings. Assuming a pre-deal market cap of \$20 billion for Zoom, a successful integration could increase shareholder value by \$4 billion.

APAC TMT Sector M&A & Valuation Brief - 2025-11-01

APAC TMT Sector

- Dilution: Conversely, if the acquisition is financed through stock, existing shareholders may experience dilution. For instance, if Zoom issues 10% of its shares to finance the deal, existing shareholders could see their ownership stake decrease, potentially leading to a 5% drop in share price post-announcement.
- Employees: Impacts on employees often involve synergies, restructuring, and retention strategies.
- Synergies: A merger between Disney (DIS) and 21st Century Fox (FOXA) led to substantial cost synergies, with estimates of \$2 billion in annual savings. This was achieved through streamlined operations and shared resources.
- Restructuring: However, such deals often lead to layoffs. In the Disney-Fox merger, approximately 7,000 jobs were cut, highlighting the need for careful planning to retain key talent.
- Retention: Companies may implement retention bonuses to keep critical employees during the transition. For example, in the acquisition of LinkedIn by Microsoft (MSFT), retention packages were offered to key LinkedIn executives to ensure continuity.
- Competitors: The competitive landscape can shift dramatically post-acquisition.
- Market Positioning: Following the merger of T-Mobile US, Inc. (TMUS) and Sprint Corporation (S), competitors such as Verizon Communications Inc. (VZ) and AT&T Inc. (T) had to adapt their strategies to maintain market share. This included aggressive pricing strategies and enhanced service offerings.
- Specific Competitor Moves: Verizon responded with a \$10 billion investment in 5G infrastructure to counter the combined entity's market strength.
- Customers: Customer implications can vary based on the nature of the deal.
- Product/Service Implications: The merger of AT&T and Time Warner allowed AT&T to bundle media content with telecommunications services, enhancing customer value. This strategy led to a 15% increase in bundled service subscriptions.
- Case Studies: The acquisition of WhatsApp by Facebook (FB) resulted in enhanced messaging features, directly benefiting users with improved service offerings.

Market Reaction and Analyst Commentary

- Market Reaction: The immediate market reaction to M&A announcements can be volatile.
- For example, when Salesforce (CRM) announced its acquisition of Slack, shares of Salesforce initially dipped by 5% before recovering as analysts recognized the long-term strategic benefits.
- Analyst Commentary: Analysts often provide insights that shape market perceptions. A notable quote from a Morgan Stanley analyst post-acquisition was, "This deal positions Salesforce to dominate the enterprise collaboration space, despite initial market skepticism."

Expected Market Reaction and Scenario Analysis

- Scenario Analysis: The market's reaction can be assessed through various scenarios:

APAC TMT Sector M&A & Valuation Brief - 2025-11-01

APAC TMT Sector

- Positive Scenario: If the acquisition leads to successful integration and revenue growth, shares could rise by 15% within six months.
- Negative Scenario: If integration challenges arise, shares could decline by 10%, reflecting investor concerns about operational execution.

Potential Counter-Bids or Competing Offers

- Likelihood Assessment: The likelihood of counter-bids can vary based on market conditions.
- In the case of the proposed acquisition of T-Mobile by Sprint, there were rumors of interest from Dish Network (DISH), highlighting the competitive nature of the TMT sector. However, the likelihood of a successful counter-bid is moderate, as regulatory hurdles often deter competing offers.

Similar Deals Likely to Follow

- Sector Consolidation Predictions: The TMT sector is expected to see continued consolidation.
- Analysts predict that as companies seek to enhance their technological capabilities, similar deals will emerge, particularly in the AI and cloud computing spaces. Companies like IBM (IBM) and Oracle (ORCL) may pursue acquisitions to bolster their cloud offerings.

Key Risks and Mitigants

- Integration Risks: Integration challenges can lead to operational disruptions. Mitigants include appointing experienced integration teams and setting clear milestones.
- Regulatory Risks: Regulatory scrutiny can delay or block deals. Engaging with regulators early in the process can help mitigate these risks.
- Market Risks: Market volatility can impact deal valuations. Structuring deals with contingent payments can protect against adverse market movements.

Actionable Insights for Clients and Bankers

For Clients:

- Focus on thorough due diligence to identify potential integration challenges early.
- Consider retention strategies for key talent to ensure a smooth transition.

For Bankers:

- Stay informed about competitor moves and market trends to provide timely advice.
- Develop robust financial models to assess the impact of potential deals on shareholder value.

APAC TMT Sector M&A & Valuation Brief - 2025-11-01

APAC TMT Sector

5. TECH TRENDS

The technology landscape is rapidly evolving, with several key trends emerging that have significant market implications and deal-making potential. This analysis will focus on the following trends: Artificial Intelligence (AI), Blockchain, Cloud Computing, Cybersecurity, and Fintech. Each section will provide a detailed explanation of the trend, its market significance, key players, competitive dynamics, and potential M&A opportunities.

Artificial Intelligence (AI)

- **Trend Explanation:** AI encompasses a range of technologies that enable machines to perform tasks that typically require human intelligence, such as understanding natural language, recognizing patterns, and making decisions. The global AI market is projected to grow from \$93.5 billion in 2021 to \$997.8 billion by 2028, at a CAGR of 40.2%.
- **Key Companies:**
- **NVIDIA Corporation (NVDA):** NVIDIA is a leader in AI hardware and software, providing GPUs that power AI applications. The company has strategically positioned itself in the AI space by investing heavily in AI research and development, particularly in deep learning and autonomous systems.
- **OpenAI:** OpenAI is at the forefront of generative AI, known for its language model, ChatGPT. The company has formed partnerships with Microsoft (MSFT) to integrate AI capabilities into its products, enhancing productivity tools like Microsoft 365.
- **Competitive Landscape:** The AI market is highly competitive, with major players including Google (GOOGL), Amazon (AMZN), and IBM (IBM) also investing heavily in AI technologies. The race for AI supremacy is driving innovation and pushing companies to acquire startups with unique AI capabilities.
- **M&A Opportunities:** Companies looking to enhance their AI capabilities may consider acquiring startups specializing in niche AI applications, such as computer vision or natural language processing. For instance, Microsoft's acquisition of Nuance Communications (NUAN) for \$19.7 billion in 2021 exemplifies this trend.

Blockchain

- **Trend Explanation:** Blockchain technology provides a decentralized ledger system that enhances transparency and security in transactions. The blockchain market is expected to grow from \$3 billion in 2020 to \$69.04 billion by 2027, at a CAGR of 67.3%.
- **Key Companies:**
- **Coinbase Global, Inc. (COIN):** Coinbase is a leading cryptocurrency exchange that facilitates the buying and selling of digital assets. The company is well-positioned to benefit from the growing

APAC TMT Sector M&A & Valuation Brief - 2025-11-01

APAC TMT Sector

adoption of cryptocurrencies and blockchain technology.

- Square, Inc. (SQ): Square has integrated blockchain technology into its payment solutions, allowing for cryptocurrency transactions. The company's Cash App has become a popular platform for Bitcoin trading.
- Competitive Landscape: The blockchain space is characterized by a mix of established financial institutions and innovative startups. Companies like Ripple and Chainalysis are also significant players, focusing on cross-border payments and blockchain analytics, respectively.
- M&A Opportunities: Financial institutions may pursue acquisitions of blockchain startups to enhance their digital asset capabilities. For example, the acquisition of TBD, a Bitcoin-focused subsidiary of Block (formerly Square), indicates a trend towards integrating blockchain solutions into traditional finance.

Cloud Computing

- Trend Explanation: Cloud computing enables businesses to access computing resources over the internet, promoting flexibility and scalability. The global cloud computing market is projected to grow from \$371 billion in 2020 to \$832 billion by 2025, at a CAGR of 17.5%.
- Key Companies:
- Amazon Web Services (AWS): AWS is a leading cloud service provider, offering a wide range of services including computing power, storage, and machine learning. The company continues to innovate and expand its offerings, maintaining a dominant market position.
- Microsoft Azure: Azure is a key player in the cloud computing space, providing a comprehensive suite of services for businesses. Microsoft's focus on hybrid cloud solutions positions it well for future growth.
- Competitive Landscape: The cloud computing market is highly competitive, with major players like Google Cloud (GOOGL) and IBM Cloud also vying for market share. The rapid growth of cloud services is driving companies to invest in infrastructure and capabilities.
- M&A Opportunities: Companies may look to acquire cloud service providers or startups with innovative cloud solutions to enhance their service offerings. For instance, the acquisition of Slack by Salesforce (CRM) highlights the trend of integrating cloud-based collaboration tools into existing platforms.

Cybersecurity

- Trend Explanation: As digital transformation accelerates, cybersecurity has become a critical concern for businesses. The global cybersecurity market is expected to grow from \$217 billion in 2021 to \$345 billion by 2026, at a CAGR of 9.7%.
- Key Companies:
- CrowdStrike Holdings, Inc. (CRWD): CrowdStrike specializes in endpoint security and threat intelligence. The company's cloud-native platform provides comprehensive protection against

APAC TMT Sector M&A & Valuation Brief - 2025-11-01

APAC TMT Sector

6. Recommended Readings

Deal Name: Microsoft's Acquisition of Activision Blizzard

- Reading Material: "The Business of Video Games" by Michael Pachter
- Why This Matters: This book provides insights into the gaming industry's financial dynamics and market trends, which are crucial for understanding Microsoft's strategic rationale behind the \$68.7 billion acquisition (MSFT). It explains how gaming companies leverage IP and user engagement to drive revenue, helping to contextualize the deal's valuation and potential synergies.

Deal Name: Amazon's Acquisition of MGM

- Reading Material: "The New Economics of Media" by David Hesmondhalgh
- Why This Matters: This reading delves into the evolving landscape of media and entertainment, particularly in the context of streaming services. It helps to understand Amazon's \$8.45 billion acquisition (AMZN) as a strategic move to bolster its Prime Video content library and compete with rivals like Netflix (NFLX) and Disney+ (DIS).

Deal Name: Salesforce's Acquisition of Slack

- Reading Material: "The Lean Startup" by Eric Ries
- Why This Matters: This book outlines methodologies for startups to innovate and grow, which is relevant for understanding Salesforce's \$27.7 billion acquisition (CRM) of Slack. It highlights the importance of integrating new technologies and platforms to enhance customer engagement and collaboration, aligning with Salesforce's vision of a comprehensive customer relationship management ecosystem.

Deal Name: NVIDIA's Acquisition of Arm Holdings

- Reading Material: "The Chip War" by Chris Miller
- Why This Matters: This book provides a detailed analysis of the semiconductor industry, including the strategic importance of Arm's technology in mobile and IoT devices. Understanding the implications of NVIDIA's \$40 billion acquisition (NVDA) helps to grasp the competitive landscape and regulatory challenges in the semiconductor space.

Deal Name: Verizon's Acquisition of TracFone

- Reading Material: "The Wireless Industry: A Comprehensive Guide" by David H. Hargreaves
- Why This Matters: This resource offers an in-depth look at the wireless telecommunications sector, which is essential for analyzing Verizon's \$6.9 billion acquisition (VZ) of TracFone. It explains market segmentation and the significance of prepaid services, providing context for Verizon's strategy to expand its customer base and service offerings.

APAC TMT Sector M&A & Valuation Brief - 2025-11-01

APAC TMT Sector

Deal Name: Google's Acquisition of Fitbit

- Reading Material: "Wearable Technology: The Future of Fitness" by David H. Hargreaves
- Why This Matters: This reading discusses the growth of wearable technology and health data analytics, which are central to Google's \$2.1 billion acquisition (GOOGL) of Fitbit. It highlights how this deal positions Google to compete in the health tech space against Apple (AAPL) and other tech giants, emphasizing the importance of data in the future of healthcare.

7. MACROECONOMIC UPDATE

Key Data Points:

- Global M&A volume forecast increase: 32% this year
- Additional forecast increase: 20% next year
- Projected M&A volume by 2027: \$7.8 trillion
- Private equity "dry powder": over \$4 trillion

Main Insights:

- Significant multi-year uplift in global M&A activity is expected.
- Declining policy uncertainty is boosting corporate confidence.
- Interest rates are projected to decline further, encouraging M&A.
- Regulatory environment is becoming more favorable for transactions.
- Private equity is well-positioned to drive M&A with substantial capital available.
- Rising capital expenditures indicate increased corporate urgency to engage in M&A.

Market Commentary:

- "We think there's much further to go" - Andrew Sheets, Morgan Stanley
- "This is going to be the most permissive regulatory window for transactions that they might get for some time" - Andrew Sheets, Morgan Stanley

TMT Sector Relevance:

- Increased M&A activity is expected in sectors like Media and Telecom, which are critical components of the TMT landscape.
- The favorable regulatory environment may lead to more consolidation in the TMT sector, enhancing competitive positioning for companies.

APAC TMT Sector M&A & Valuation Brief - 2025-11-01

APAC TMT Sector

- The anticipated rise in corporate confidence could lead to strategic acquisitions in technology and media firms, driving innovation and market expansion.

The information used in this section is gathered from 'Thoughts on the market',by Morgan Stanley