

APAC TMT Sector M&A & Valuation Brief - 2025-12-25

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1. RECENT TMT M&A ACTIVITY

Deal 1: Shanghai Commercial Bank and HashKey Partnership

[Old lender, new twist: Shanghai Commercial Bank teams up with HashKey on credit card](#)

- Deal Size: \$206 million (HK\$1.6 billion raised by HashKey)
- Deal Size Category: Mid cap (\$2B-\$10B)
- Nature of Deal: Joint Venture
- Valuation Multiples: N/A (no specific multiples disclosed)
- Companies: Shanghai Commercial Bank (SCB) is a traditional lender in Hong Kong with over 40 branches, focusing on wealth management and corporate clients. HashKey Exchange is a licensed digital asset exchange in Hong Kong, recently listed with a focus on cryptocurrency trading.
- Date Announced: December 17, 2025
- Strategic Rationale: The partnership aims to bridge traditional finance with digital assets, marking a significant step in SCB's digital transformation strategy. The co-branded credit card will cater specifically to investors on HashKey's platform, enhancing customer engagement and expanding SCB's digital offerings.
- Risk Analysis: Key risks include regulatory challenges associated with digital assets, integration of traditional banking practices with innovative fintech solutions, and potential market volatility affecting digital asset trading.

Key Financials Analysis:

- Revenue Breakdown: N/A (no specific revenue data available)
- Profitability Ratios: N/A
- Leverage Analysis: N/A
- Asset Operating Efficiency: N/A
- Valuation Context: The partnership's financial impact is yet to be determined, but it positions SCB favorably in the evolving fintech landscape.

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2. ADDITIONAL DEALS

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 experiencing a cautiously optimistic sentiment, driven by a combination of macroeconomic factors and sector-specific developments. As we approach the end of the year, market participants are closely monitoring economic indicators that could influence interest rates and investment flows, particularly in Asia and the US.

Subsector Breakdown:

- **Technology:** The technology subsector remains resilient, with significant interest in AI and software solutions. For instance, Chinese chipmakers are actively pursuing IPOs to bolster their technological capabilities, reflecting a broader trend towards self-reliance in technology.
- **Media:** The media sector is adapting to changing consumer behaviors, particularly with the rise of digital content. Companies are exploring innovative ways to engage audiences, although traditional media continues to face challenges.
- **Telecommunications:** The telecom sector is focused on enhancing infrastructure to support 5G technologies. This is critical as companies aim to capitalize on the growing demand for high-speed connectivity and IoT applications.
- **Fintech:** The fintech landscape is vibrant, with ongoing mergers and acquisitions, such as the acquisition of Clearwater Analytics by a consortium of private equity firms for \$8.4 billion. This highlights the consolidation trend in the sector.
- **AI:** The AI subsector is witnessing explosive growth, with firms racing to implement AI solutions across various industries, underscoring its transformative potential.

Key Market Drivers and Headwinds

Drivers:

- **Technological Advancements:** Continuous innovation in AI and cloud computing is propelling growth across TMT sectors. The push for technological self-reliance in China is a significant driver, as evidenced by the rush of Chinese chipmakers to enter the IPO market.
- **Increased Investment:** Private equity interest remains strong, with firms like Permira and Warburg

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Pincus actively pursuing acquisitions in the tech space, indicating robust investor confidence.

Headwinds:

- **Regulatory Scrutiny:** Heightened regulatory scrutiny, particularly in the tech sector, poses risks to M&A activities and market valuations. Companies must navigate complex compliance landscapes, which can hinder growth prospects.
- **Economic Uncertainty:** Global economic conditions, including inflation and geopolitical tensions, may impact consumer spending and investment in technology. Recent comments from Citigroup strategists highlight concerns about labor market risks, which could influence market sentiment.

Subsector Performance Analysis

- **Software:** The software sector continues to thrive, driven by demand for SaaS solutions and enterprise software. Companies that can adapt to changing market needs are well-positioned for growth.
- **Media:** Media companies are increasingly focusing on digital content to attract audiences, but traditional media is struggling with declining advertising revenues.
- **Telecom:** Telecom operators are investing heavily in 5G infrastructure, which is expected to create new revenue streams from IoT and enhanced mobile services.
- **Fintech:** The fintech sector is experiencing significant growth, with innovations in payment solutions and digital banking driving investment activity.
- **AI:** The AI subsector is booming, with applications across various industries, including healthcare and finance. Companies are investing heavily in AI capabilities 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.

Notable Investor/Analyst Reactions

- Analysts are generally optimistic about the long-term prospects of the TMT sector, emphasizing the

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importance of technological advancements. For instance, Eric Zhu from Bloomberg Economics noted, "A weaker economy heading into the fourth quarter has raised the urgency for more support to prevent a sharper slowdown," indicating that market participants are anticipating further monetary easing.

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 reflects a dynamic landscape with a mix of live deals, mandated transactions, and active pitches. This section provides a comprehensive analysis of the ongoing activities, expected revenue, and strategic implications for our team.

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 moving forward, 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.

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

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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

- The competitive landscape is intensifying, particularly in the AI sector, where companies like Apple and Meta are vying for leadership. The recent announcement of Trump's AI Action Plan could alter the regulatory environment, impacting deal structures and valuations.
- Additionally, the rise of AI insurance startups, such as the one founded by a former Anthropic

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executive, indicates a growing market for risk management in AI deployment, which could lead to new advisory opportunities.

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.
- **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

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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:
- 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.

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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.

5. TECH TRENDS

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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: Digital Finance, Artificial Intelligence (AI), Blockchain, Cloud Computing, and Cybersecurity. Each section will provide a detailed explanation of the trend, its market significance, key players, competitive dynamics, and potential M&A opportunities.

Digital Finance

- **Trend Explanation:** Digital finance refers to the integration of technology into offerings by financial services companies to improve their use of financial services. This trend is gaining momentum, particularly in Asia, where traditional banks are collaborating with fintech companies to enhance their service offerings. The global digital finance market is projected to grow significantly, driven by the increasing adoption of digital payment solutions and the rise of cryptocurrencies.
- **Key Companies:**
 - **Shanghai Commercial Bank (SCB):** SCB is partnering with HashKey Exchange to launch a co-branded credit card for digital asset investors. This initiative marks a significant step in bridging traditional banking with digital finance, showcasing SCB's commitment to digital transformation.
 - **HashKey Exchange (3887.HK):** A licensed virtual asset trading platform in Hong Kong, HashKey is at the forefront of the digital asset revolution. The company recently raised HK\$1.6 billion in its IPO, positioning itself as a key player in the digital finance space.
- **Competitive Landscape:** The digital finance sector is characterized by intense competition between traditional banks and fintech startups. Major banks like HSBC and Bank of China (Hong Kong) are also investing heavily in digital capabilities to remain competitive. The collaboration between traditional banks and fintech firms is becoming a common strategy to leverage each other's strengths.
- **M&A Opportunities:** The digital finance trend presents numerous M&A opportunities, particularly for traditional banks looking to enhance their digital offerings. Banks may consider acquiring fintech startups that specialize in payment solutions or digital wallets to accelerate their digital transformation efforts.

Artificial Intelligence (AI)

- **Trend Explanation:** AI encompasses a range of technologies that enable machines to perform tasks that typically require human intelligence. 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%. The increasing adoption of AI across various sectors, including finance, healthcare, and retail, is driving this growth.
- **Key Companies:**
 - **Xiaomi Corporation:** Known for its smartphones and electric vehicles, Xiaomi is investing in AI technologies to enhance its product offerings, particularly in smart home devices and autonomous vehicles.
 - **Pop Mart International Group:** While primarily a toy manufacturer, Pop Mart is exploring AI-driven

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marketing strategies to better understand consumer preferences and enhance customer engagement.

- **Competitive Landscape:** The AI market is highly competitive, with major players like Google, Amazon, and IBM 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. The acquisition of AI startups can provide companies with a competitive edge in developing innovative products and services.

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%. This growth is driven by the increasing adoption of cryptocurrencies and the demand for secure transaction methods.
- **Key Companies:**
- **HashKey Exchange (3887.HK):** As a licensed virtual asset trading platform, HashKey is leveraging blockchain technology to facilitate secure and efficient trading of digital assets. The company's recent IPO demonstrates its strong market positioning.
- **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. The integration of blockchain solutions into traditional finance is becoming increasingly important as the demand for secure and transparent transactions grows.

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 expected to grow from \$371 billion in 2020 to \$832 billion by 2025, at a CAGR of 17.5%. This growth is driven by the increasing demand for cloud-based services and solutions.
- **Key Companies:**
- **Amazon Web Services (AWS):** As a leader in cloud computing, AWS provides a wide range of cloud services that cater to businesses of all sizes. The company is continuously innovating and expanding its

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6. Recommended Readings

Deal Name: Shanghai Commercial Bank and HashKey Partnership

- Reading Material: "Digital Transformation: Survive and Thrive in an Era of Mass Extinction" by Thomas M. Siebel
- Why This Matters: This book explores the intersection of traditional banking and digital innovation, providing insights into how financial institutions can adapt to the rapidly changing landscape. It is particularly relevant for understanding the strategic implications of Shanghai Commercial Bank's partnership with HashKey, as it highlights the importance of integrating digital assets into traditional banking services to enhance customer engagement and drive growth.

7. MACROECONOMIC UPDATE

Key Data Points:

- Global equities rally: +35% from April lows
- U.S. high-grade fixed income returns: 5% over the last 12 months
- Projected annualized return for global equities: ~7%
- Projected S&P 500 return: 6.8%
- Projected European and Japanese equities return: ~8%
- Projected emerging markets return: ~4%
- Projected U.S. Treasuries return (10-year maturity): ~5%
- Projected German Bunds return: ~4%
- Projected Japanese government bonds return: ~2%
- U.S. equity risk premium: 2%
- Emerging markets equity risk premium: -1%

Main Insights:

- Long-run expected returns for equities are lower than in previous decades.
- Fixed income offers relatively elevated returns due to higher yields.
- The risk premium for equities and credits has compressed significantly.

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- Valuations are rich, particularly in the U.S., but improved company profitability justifies some of the high valuations.
- The classic 60/40 portfolio is expected to yield around 6% annual returns over the next decade, down from the historical average of 9%.

Market Commentary:

- "Investors aren't being paid as much for taking on risk as they used to be." - Morgan Stanley
- "The optimal mix of stocks and bonds is not static and should be revisited as market dynamics evolve." - Morgan Stanley

TMT Sector Relevance:

- The compression of risk premiums may lead to increased scrutiny of valuations in TMT stocks, where high growth expectations often drive prices.
- Advances in AI could lead to more synchronized movements between stocks and bonds, impacting investment strategies in TMT sectors that rely heavily on technology and innovation.
- A potential shift in the traditional 60/40 portfolio could encourage more investment in tech-driven equities, as investors seek higher returns amidst lower expected returns from bonds.

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