

APAC TMT Sector M&A & Valuation Brief - 2025-11-20

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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 both innovation and caution. While there is a palpable excitement surrounding advancements in generative AI and healthcare technologies, the sector is also facing challenges such as regulatory scrutiny and economic uncertainties that could impact growth trajectories.

Subsector Breakdown:

- Technology: The technology subsector is witnessing significant momentum, particularly in generative AI applications. However, a recent AWS MIT survey highlighted that while 71% of Chief Data Officers are experimenting with generative AI, only 6% have successfully deployed it in production. This gap indicates a cautious approach among organizations as they seek to balance innovation with cost management.
- Media: The media landscape is evolving rapidly, with digital platforms gaining traction. Companies are increasingly focusing on enhancing user engagement through innovative content delivery methods, although traditional media continues to face headwinds from declining advertising revenues.
- Telecommunications: The telecom sector is innovating through the deployment of advanced technologies, including 5G. Companies are investing heavily in infrastructure to support enhanced mobile services, which is expected to drive new revenue streams.
- Fintech: The fintech subsector remains robust, with a focus on digital banking and payment solutions. The integration of technology into financial services is creating new opportunities for growth and efficiency.
- AI: The AI subsector is particularly vibrant, with organizations racing to implement AI solutions across various industries. The rapid pace of innovation is evident, as newer large language models are launching more frequently and achieving benchmark scores that improve at twice the rate compared to previous years.

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Key Market Drivers and Headwinds

Drivers:

- Technological Advancements: The rapid development of generative AI and cloud computing technologies is driving growth across the TMT sectors. Companies adopting platform engineering principles are better positioned to accelerate development and control costs, thereby enhancing their competitive edge.
- Increased Investment: Venture capital and private equity investments remain strong, particularly in tech and healthcare, as investors seek to capitalize on emerging trends.

Headwinds:

- Regulatory Scrutiny: Increased regulatory scrutiny, particularly in the tech sector, poses risks to M&A activities and market valuations. Companies are navigating complex compliance landscapes, which can delay or derail potential deals.
- Economic Uncertainty: Global economic conditions, including inflation and geopolitical tensions, may impact consumer spending and investment in technology.

Subsector Performance Analysis

- Software: The software sector continues to thrive, driven by demand for cloud solutions and enterprise software. Companies focusing on SaaS models are particularly well-positioned for growth.
- Media: Media companies are adapting to changing consumer preferences, with a shift towards digital content consumption. However, traditional media faces declining revenues from advertising.
- Telecom: Telecom operators are investing heavily in infrastructure to support 5G deployment, which is expected to drive new revenue streams from IoT and enhanced mobile services.
- Fintech: The fintech sector is thriving, with innovations in payment solutions and digital banking. The integration of technology into financial services is creating new opportunities for growth.
- 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

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- 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, citing technological advancements as a key driver of growth. 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 being cautious 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

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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 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

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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 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))

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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 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."

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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.

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.

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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

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: Generative AI, Blockchain, and Cybersecurity. Each section will provide a detailed explanation of the trend, its market significance, key players, competitive dynamics, and potential M&A opportunities.

Generative AI

- Trend Explanation: Generative AI refers to algorithms that can generate new content, including text, images, and music, based on training data. The market for generative AI is expected to grow significantly, driven by increasing demand for automation and personalized content. A recent AWS MIT survey indicates that while 71% of Chief Data Officers are experimenting with generative AI, only 6% have successfully deployed it in production, highlighting the need for effective implementation strategies.
- Key Companies:
 - NVIDIA Corporation (NVDA): NVIDIA is a leading player in the AI hardware market, providing GPUs essential for training AI models. The company is positioned to capitalize on the generative AI boom, with its products being integral to many AI applications.
 - Amazon (AMZN): Amazon is leveraging generative AI within its AWS platform to enhance cloud services. The company is focused on developing tools that allow businesses to integrate generative AI into their operations efficiently.
 - Competitive Landscape: The generative AI space is characterized by intense competition among tech giants like Google (GOOGL) and Microsoft (MSFT), both of which are heavily investing in AI capabilities. The rapid pace of innovation is pushing companies to acquire startups that specialize in niche AI applications.
 - M&A Opportunities: Companies looking to enhance their generative AI capabilities may consider acquiring startups focused on specific applications, such as natural language processing or creative content generation. For instance, NVIDIA's potential acquisition of smaller AI firms could bolster its software offerings.

Blockchain

- Trend Explanation: Blockchain technology provides a decentralized ledger system that enhances

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transparency and security in transactions. The blockchain market is projected to grow from \$3 billion in 2020 to \$69.04 billion by 2027, at a CAGR of 67.3%. This growth is driven by increasing adoption across various sectors, including finance, supply chain, and healthcare.

- 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 adoption of cryptocurrencies and blockchain technology.
 - Square, Inc. (SQ): Square has integrated blockchain technology into its payment solutions, allowing for cryptocurrency transactions through its Cash App, which 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 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.

Cybersecurity

- Trend Explanation: As digital transformation accelerates, the demand for cybersecurity solutions is surging. The global cybersecurity market is expected to grow from \$217 billion in 2021 to \$345 billion by 2026, driven by increasing cyber threats and regulatory requirements.
- Key Companies:
 - CrowdStrike Holdings, Inc. (CRWD): CrowdStrike is a leader in cloud-delivered endpoint protection, utilizing AI to detect and respond to threats in real-time. The company's strategic focus on proactive threat hunting positions it well within the cybersecurity landscape.
 - Palo Alto Networks, Inc. (PANW): Palo Alto Networks offers a comprehensive suite of cybersecurity solutions, including advanced firewalls and cloud security. The company is expanding its offerings through acquisitions to enhance its product portfolio.
 - Competitive Landscape: The cybersecurity market is highly fragmented, with numerous players ranging from established firms to startups. Companies like Fortinet (FTNT) and Check Point Software Technologies (CHKP) are also significant competitors, driving innovation and competition.
 - M&A Opportunities: The increasing complexity of cyber threats presents opportunities for M&A in the cybersecurity space. Companies may look to acquire niche players specializing in specific areas, such as threat intelligence or cloud security, to enhance their capabilities.

Actionable Insights for Bankers and Investors

Focus on identifying emerging companies within the generative AI and blockchain spaces that demonstrate strong growth potential and innovative solutions.

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Consider the competitive dynamics in the cybersecurity market, as consolidation may lead to significant opportunities for value creation through strategic acquisitions.

Monitor regulatory developments in the blockchain and cryptocurrency sectors, as these can impact market dynamics and investment strategies.

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

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- 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.

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:

- U.S. GDP Growth Forecast for 2026: 1.75%
- Global GDP Growth Forecast for 2026: 3%
- Expected Fed Policy Rate by Mid-2026: Just above 3%
- Eurozone Growth Rate: Approximately 1%
- China's Growth Rate: Below 5%

Main Insights:

- Global growth is expected to slow further in 2026, influenced by tariffs and policy uncertainty.
- U.S. consumer spending remains resilient, particularly in AI-driven investments.
- Inflation is anticipated to drift down globally, but core inflation may remain elevated.
- The U.S. labor market shows signs of weakness, with job creation potentially falling below 50,000 per month.

Market Commentary:

- "Next year may well be a year for surprises." - Seth Carpenter, Morgan Stanley
- "Business spending, especially CapEx for AI, remains strong." - Seth Carpenter, Morgan Stanley
- "The Fed is likely to cut rates further to guard against labor market deterioration." - Seth Carpenter, Morgan Stanley

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TMT Sector Relevance:

- The anticipated slowdown in the U.S. economy may impact TMT investment, particularly in AI and technology sectors.
- Continued strong CapEx in AI suggests ongoing investment in technology infrastructure, which could benefit companies like NVIDIA (NVDA) and Advanced Micro Devices (AMD).
- A weaker labor market may lead to increased automation and technology adoption in TMT sectors, driving further investments in AI capabilities.

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