

APAC TMT Sector M&A & Valuation Brief - 2025-12-27

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1. RECENT TMT M&A ACTIVITY

Deal 1: Shanghai Commercial Bank and HashKey Exchange Partnership

Old lender, new twist: Shanghai Commercial Bank teams up with HashKey on credit card

- Deal Size: \$206 million (HashKey's IPO proceeds)
- Deal Size Category: Mid cap (\$2B-\$10B)
- Nature of Deal: Strategic partnership
- Valuation Multiples: N/A (no specific multiples available)
- Companies: Shanghai Commercial Bank (SCB) is a traditional lender with over 40 branches in Hong Kong, focusing on affluent families and mainland Chinese companies. HashKey Exchange is a licensed digital asset trading platform in Hong Kong, recently listed after raising HK\$1.6 billion.
- Date Announced: December 17, 2023
- Strategic Rationale: The partnership aims to bridge traditional finance and digital assets, marking the first co-branded credit card in Asia for digital asset investors. This initiative aligns with SCB's digital transformation strategy, enhancing its competitive edge in the evolving banking landscape.
- Risk Analysis:
 - Integration risks associated with combining traditional banking with digital asset services.
 - Regulatory challenges in the rapidly changing fintech environment.
 - Market risks related to the volatility of digital assets affecting credit card usage.
 - Execution risks in launching new products and services.

Key Financials Analysis:

- Revenue Breakdown: N/A (no specific revenue data available)
- Profitability Ratios: N/A (no specific profitability metrics available)
- Leverage Analysis: N/A (no debt structure data available)
- Asset Operating Efficiency: N/A (no operational efficiency metrics available)
- Valuation Context: The strategic partnership does not provide specific valuation metrics but aims

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to leverage HashKey's digital capabilities to enhance SCB's service offerings.

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 evolving technological advancements and macroeconomic conditions. The sentiment across the sector is mixed, with some subsectors showing resilience while others face significant challenges.

Subsector Breakdown:

- Technology: The technology subsector is buoyed by strong demand for AI and cloud solutions. Companies are increasingly adopting AI technologies to enhance operational efficiency, as seen in various industries. For example, Chinese chipmakers are rushing to the IPO market to secure funding for technological self-reliance, reflecting a broader trend of investment in AI capabilities.
- Media: The media sector is undergoing a transformation, with digital content consumption rising sharply. Companies are adapting to these changes, although traditional media continues to struggle with declining advertising revenues.
- Telecommunications: The telecom sector is focused on 5G deployment, with significant investments in infrastructure. This transition is expected to create new revenue streams, particularly in IoT and enhanced mobile services.
- Fintech: The fintech space is thriving, with innovations in payment solutions and digital banking. The recent acquisition of Clearwater Analytics Holdings Inc. for \$8.4 billion underscores the consolidation trend in this sector.
- AI: The AI subsector is experiencing rapid growth, with applications spanning multiple industries. Companies are investing heavily in AI to maintain competitive advantages, as evidenced by the push from Chinese firms to enhance their capabilities in this area.

Key Market Drivers and Headwinds

Drivers:

- Technological Advancements: Continuous innovation in AI, 5G, and cloud computing is driving growth across TMT sectors. The urgency for technological self-reliance in China is pushing chipmakers to seek IPOs, which can enhance their competitive position globally.
- Increased Investment: Private equity interest remains strong, as demonstrated by the acquisition of Clearwater Analytics. This trend indicates a robust appetite for investment in high-growth areas.

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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. The recent comments from Fed officials suggest a cautious approach to interest rates, which could affect market sentiment.

Subsector Performance Analysis

- Software: The software sector is performing well, 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 challenges from declining revenues.
- 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 acquisition of Clearwater Analytics highlights the consolidation trend in this space.
- AI: The AI subsector is booming, with applications across various industries, including healthcare, finance, and automotive. 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, citing technological

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advancements as a key driver of growth. For instance, Citigroup strategists noted that inflation concerns are overblown, and the labor market risks are skewed to the downside, suggesting a favorable environment for tech investments.

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 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), and Cloud Computing. 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 encompasses a range of financial services and products that leverage technology to enhance user experience and operational efficiency. The market for digital finance is expected to grow significantly, driven by increasing consumer demand for accessibility and convenience. The global digital payment market alone is projected to reach \$10 trillion by 2026, growing at a CAGR of 13.7%.
- Key Companies:
- Shanghai Commercial Bank (SCB): SCB is partnering with HashKey Exchange to launch a co-branded credit card aimed at investors trading on the digital asset platform. This initiative marks a significant move into digital finance for SCB, which plans to invest HK\$1.6 billion over the next five years to enhance its digital capabilities.
- HashKey Exchange (3887.HK): As one of Hong Kong's licensed virtual asset trading platforms, HashKey is positioned to capitalize on the growing interest in digital assets. The company raised HK\$1.6 billion in its IPO and aims to expand its product offerings in collaboration with traditional financial institutions.
- Competitive Landscape: The digital finance sector is characterized by competition between traditional banks and fintech companies. Established banks like HSBC and Bank of China are also investing heavily in digital transformation, creating a dynamic environment where innovation is crucial for survival.
- M&A Opportunities: Traditional banks may seek to acquire fintech startups to enhance their digital offerings. For instance, SCB's collaboration with HashKey could lead to further partnerships or acquisitions of fintech companies that specialize in blockchain or payment solutions.

Artificial Intelligence (AI)

- Trend Explanation: AI technologies enable machines to perform tasks that typically require human intelligence, such as data analysis, natural language processing, and decision-making. 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 is strategically positioned in the AI space by investing heavily in research and development, particularly in deep learning and autonomous systems.
- OpenAI: Known for its generative AI capabilities, OpenAI has formed partnerships with Microsoft

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(MSFT) to integrate AI into productivity tools, enhancing user experience and efficiency.

- 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.

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%.
- Key Companies:
- Amazon Web Services (AWS): As a leading cloud service provider, AWS offers a wide range of cloud-based solutions, including computing power, storage, and machine learning services. AWS continues to innovate and expand its offerings to maintain its competitive edge.
- Microsoft Azure: Azure is a key player in the cloud computing space, providing a comprehensive suite of cloud services. Microsoft's strategy focuses on hybrid cloud solutions, appealing to enterprises seeking flexibility.
- Competitive Landscape: The cloud computing market is dominated by a few key players, including AWS, Microsoft Azure, and Google Cloud. This competitive environment drives continuous innovation and pricing pressures.
- M&A Opportunities: Companies in the cloud computing space may seek acquisitions to enhance their service offerings or expand into new markets. For example, recent acquisitions in the cloud space include Salesforce's purchase of Slack Technologies (WORK) to bolster its collaboration tools.

Actionable Insights for Bankers and Investors

Focus on identifying fintech startups that align with traditional banks' digital transformation strategies, particularly in areas like digital payments and blockchain technology.

Monitor AI and cloud computing sectors for potential acquisition targets that can enhance existing capabilities and drive growth.

Stay informed about regulatory developments in digital finance,

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6. Recommended Readings

Deal Name: Shanghai Commercial Bank and HashKey Exchange Partnership

- Reading Material: "Digital Banking: A Guide to the Future of Banking" by Chris Skinner
- Why This Matters: This book explores the intersection of traditional banking and digital finance, providing insights into how banks can innovate and adapt in the digital age. Understanding the implications of Shanghai Commercial Bank's partnership with HashKey Exchange helps to contextualize the strategic move towards integrating digital assets into traditional banking services, highlighting the challenges and opportunities in this evolving landscape.

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: nearly 7%
- Projected annualized return for S&P 500: 6.8%
- Projected return for European equities: ~8%
- Projected return for emerging markets: ~4%
- U.S. Treasuries (10-year maturity) expected return: nearly 5%
- German Bunds expected return: nearly 4%
- Japanese government bonds expected return: nearly 2%
- U.S. equity risk premium: 2%
- Emerging markets equity risk premium: -1%

Main Insights:

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

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- Valuations are high, especially in the U.S., but improved company profitability justifies some of this.
- The classic 60/40 portfolio is projected to deliver around 6% annual returns over the next decade, down from a historical average of 9%.

Market Commentary:

- "The extra return you get for taking on risk has compressed across the board." - 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 projected lower returns may lead to increased investment in technology sectors as companies leverage AI to enhance profitability.
- The compression of risk premiums could result in a reevaluation of tech valuations, impacting M&A activity in the TMT space.
- As traditional portfolio strategies evolve, tech companies may see increased interest from investors seeking higher growth potential amidst changing market dynamics.

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