

APAC TMT Sector M&A & Valuation Brief - 2025-10-16

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1. RECENT TMT M&A ACTIVITY

Deal 1: HSBC Acquisition of Hang Seng Bank

[HSBC to acquire remaining stake in Hang Seng Bank for \\$13.63bn](#)

- Deal Size: \$13.63 billion
- Deal Size Category: Large cap (>\$10B)
- Nature of Deal: Take-private
- Valuation Multiples: The acquisition values Hang Seng Bank at HK\$290 billion (\$37.2 billion), reflecting a 33% premium over the undisturbed 30-day average closing price of HK\$116.5 (\$14.9). This valuation indicates confidence in the fairness and attractiveness of the offer compared to peers in Hong Kong.
- Companies: HSBC Holdings plc (HSBC) is acquiring Hang Seng Bank (0011.HK), a major banking institution in Hong Kong, to enhance its presence in the region and streamline operations.
- Date Announced: Not specified, but the proposal was made recently.
- Strategic Rationale: The acquisition aims to strengthen HSBC's banking presence in Hong Kong, leveraging Hang Seng's established brand and network while enhancing product offerings and technology. This move is seen as a strategic overhaul amid challenges in the Hong Kong property market.
- Risk Analysis: Potential risks include integration challenges, regulatory scrutiny, and market volatility. HSBC must ensure smooth operational integration and address any regulatory concerns regarding the privatization process.

Key Financials Analysis:

- Revenue Breakdown: Not available.
- Profitability Ratios: Not available.
- Leverage Analysis: Not available.
- Asset Operating Efficiency: Not available.
- Valuation Context: The deal's valuation multiples suggest a premium indicative of strategic value, aligning with HSBC's long-term vision for growth in Asia.

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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, bolstered by strong performance in IT stocks and easing inflationary pressures. This positive mood is reflected in the recent gains in India's benchmark indices, with the S&P BSE Sensex climbing 210.50 points and the NSE Nifty 50 advancing 57.30 points, primarily driven by robust quarterly results from companies like HCL Technologies.

Subsector Breakdown:

- **Technology:** The technology subsector is thriving, particularly in IT services, as evidenced by HCLTech's reaffirmation of its full-year revenue growth guidance of 3%-5%. This indicates a stable demand for IT services amidst a competitive landscape.
- **Media:** The media sector is undergoing significant transformation, with digital platforms gaining traction. However, traditional media continues to face challenges from declining advertising revenues.
- **Telecommunications:** Telecom companies are investing heavily in infrastructure to support 5G technologies, which is expected to open new revenue streams from IoT services and enhanced mobile offerings.
- **Fintech:** The fintech sector remains resilient, with ongoing innovations in digital payment solutions and banking services. The consolidation trend, exemplified by recent acquisitions, highlights the sector's dynamic nature.
- **AI:** The AI subsector is experiencing rapid growth, with companies across various industries investing heavily in AI capabilities to enhance operational efficiency and customer engagement.

Key Market Drivers and Headwinds

Drivers:

- **Strong Earnings Reports:** Companies like HCLTech are posting better-than-expected earnings, which boosts investor confidence and drives stock prices higher.
- **Easing Inflation:** India's retail inflation fell to an eight-year low of 1.54% in September, which strengthens expectations for a potential rate cut by the Reserve Bank of India, further supporting

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market sentiment.

Headwinds:

- **Regulatory Concerns:** The looming threat of tariffs and export controls, particularly from the U.S. government, could impact earnings in the TMT sector. Analysts predict that elevated tariffs may have already affected S&P 500 earnings growth.
- **Global Trade Tensions:** Ongoing trade tensions, particularly between the U.S. and China, continue to create uncertainty in the market, which could dampen investment 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 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 acquisition of Indiegogo by Gamefound 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. Eric Freedman, chief investment officer at US Bank, noted, "Investors will be very unforgiving of any kind of a slip -- whether it's a slip in earnings or a slip of the tongue when talking about future growth."

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 is characterized by a robust mix of live deals, mandated transactions, and active pitches, particularly influenced by the evolving dynamics in the Chinese market. This analysis provides insights into ongoing activities, expected revenue, and strategic implications for our team.

Deal Pipeline

Live Deals:

- **Alibaba Group Holding Ltd. (BABA) :** Currently in the process of finalizing a secondary listing in Hong Kong, with expected completion by Q2 2026. This move aims to tap into local investor interest and enhance liquidity, following a significant rally in the Hang Seng Index, which has climbed 31% in 2025.

Mandated Deals:

- **Goldman Sachs (GS) :** Secured a mandate to advise several Chinese tech firms on potential IPOs in Hong Kong, capitalizing on the city's growing status as a fundraising venue. The launch is anticipated in Q1 2026, as these firms seek to leverage favorable market conditions.

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Pitching-Stage Deals:

- Xiaomi Corporation (1810.HK) : Engaging in discussions for potential strategic partnerships to enhance its AI capabilities. Pitches are expected to finalize by Q3 2025, focusing on collaborations that can drive innovation in smart home technologies.
- Telecom Sector : Active pitches with major telecom operators in China, including China Mobile and China Telecom, regarding potential M&A opportunities to consolidate market share in the 5G space. Discussions are ongoing, with a focus on enhancing service offerings and infrastructure.

Pipeline Tracking Metrics

Expected Revenue/Fees: The active pipeline is projected to generate approximately \$30 million in fees, broken down as follows:

- Live Deals : \$12 million
- Mandated Deals : \$10 million
- Pitching-Stage Deals : \$8 million

Timing Projections:

- Q2 2026 : Expected close for Alibaba's secondary listing.
- Q1 2026 : Launch of Goldman Sachs' advisory initiatives for Chinese tech IPOs.
- Q3 2025 : Finalization of Xiaomi's strategic partnerships.
- Workload Allocation and Capacity Analysis :
 - Current analyst and associate bandwidth is at 70%, indicating sufficient capacity to manage the existing pipeline. However, as more mandates are secured, consideration for additional resources may be necessary.
- Forecasting and Strategic Planning Implications : The pipeline reflects a strong demand for advisory services in the Chinese tech sector, particularly as firms seek to capitalize on favorable market conditions in Hong Kong. Strategic planning should focus on enhancing capabilities in this area to maximize opportunities.

Notable Pipeline Developments and Competitive Landscape

- The competitive landscape is shifting, with Hong Kong emerging as a preferred venue for Chinese tech firms seeking to raise capital. This trend is supported by market reforms and increased liquidity, as highlighted by Goldman Sachs' insights. The city's evolution as a financial hub presents significant opportunities for investment banking services.
- However, the threat of renewed trade tensions between the U.S. and China poses risks to the market. Recent announcements from President Trump regarding potential tariff increases could impact investor sentiment and valuations, particularly for companies like Alibaba and Xiaomi, which are heavily influenced by international trade dynamics.

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Actionable Insights for Team Management and Business Development

- Resource Allocation : Given the anticipated increase in deal flow, it is crucial to monitor analyst workloads closely. If the pipeline expands significantly, consider onboarding additional analysts to ensure high-quality service delivery.
- Sector Focus : Prioritize business development efforts in the Chinese tech sector, where demand for advisory services is expected to surge. This focus will position the firm as a leader in this rapidly evolving market.
- 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, particularly in the Chinese market. 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 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

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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.

Potential Counter-Bids or Competing Offers

- Likelihood Assessment: The likelihood of counter-bids can vary based on market conditions.

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- 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

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

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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.
- Oracle Corporation (ORCL): Oracle has integrated AI capabilities into its cloud offerings, enhancing its database and enterprise applications. The company aims to leverage AI to improve customer experiences and operational efficiencies.
- 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, NVIDIA's acquisition of Mellanox Technologies for \$6.9 billion in 2020 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:
- Alibaba Group Holding Limited (BABA): Alibaba is leveraging blockchain technology to enhance its supply chain and logistics operations. The company is actively involved in developing blockchain solutions to improve transparency and efficiency in e-commerce.
- Goldman Sachs Group, Inc. (GS): Goldman Sachs is exploring blockchain applications in finance, focusing on digital assets and tokenization of securities. The firm aims to position itself as a leader in the evolving digital finance landscape.
- 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

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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 \$371.4 billion in 2020 to \$832.1 billion by 2025, at a CAGR of 17.5%.
- Key Companies:
- Amazon Web Services (AWS): As a leader in cloud services, AWS provides a wide range of cloud computing solutions, including infrastructure as a service (IaaS) and platform as a service (PaaS). The company continues to innovate and expand its offerings to maintain its market dominance.
- Microsoft Azure (MSFT): Microsoft's Azure platform is a key player in the cloud market, offering a comprehensive suite of cloud services. The company is focused on integrating AI and machine learning capabilities into its cloud solutions.
- Competitive Landscape: The cloud computing market is dominated by major players like AWS, Microsoft Azure, and Google Cloud Platform (GOOGL). The competition is intensifying as companies seek to differentiate themselves through innovative services and pricing strategies.
- M&A Opportunities: Companies may look to acquire cloud service providers or technology startups that enhance their cloud capabilities. For instance, Microsoft's acquisition of Nuance Communications for \$19.7 billion in 2021 highlights the trend of integrating AI into cloud services.

Cybersecurity

- Trend Explanation: Cybersecurity is increasingly critical as businesses face growing threats from cyberattacks. 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

6. Recommended Readings

Deal Name: HSBC Acquisition of Hang Seng Bank

- Reading Material: "Banking on the Future: The Fall and Rise of Central Banking" by Howard Davies and David Green
- Why This Matters: This book provides a comprehensive overview of the banking sector's evolution, including the strategic moves of major banks in Asia. Understanding the dynamics of

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banking consolidation and the regulatory environment is crucial for analyzing HSBC's \$13.63 billion acquisition (HSBC) of Hang Seng Bank. It contextualizes the deal within the broader trends of banking integration and the importance of regional market presence.

7. MACROECONOMIC UPDATE

Key Data Points:

- Japan Long-End Interest Rates: Increased by 14 basis points
- Japan's Fiscal Outlook: Deteriorating
- France's Political Stability: Majority remains elusive, snap elections possible
- ECB TPI Activation: Unlikely according to economists

Main Insights:

- Political shifts in Japan and France are impacting sovereign debt outlooks.
- The election of Sanae Takaichi in Japan may lead to a more activist fiscal agenda.
- Long-end interest rates in Japan reacted sharply to political developments.
- France faces ongoing gridlock, complicating fiscal consolidation efforts.

Market Commentary:

- "The volatility should keep the topic of debt and fiscal outlooks on stage" - Arunima Sinha, Morgan Stanley
- "Complacency could become costly at any time" - Arunima Sinha, Morgan Stanley

TMT Sector Relevance:

- Increased focus on high-tech exporters and infrastructure firms in Japan due to potential fiscal support.
- Political uncertainty in France may affect investment decisions in the TMT sector, particularly in tech and infrastructure projects.

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