

APAC TMT Sector M&A & Valuation Brief - 2025-12-17

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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 mixed sentiment, influenced by macroeconomic factors and evolving technological trends. Recent movements in the stock market, particularly in Asia and the U.S., reflect investor caution ahead of critical Federal Reserve announcements and earnings reports from major tech players.

Subsector Breakdown:

- **Technology:** The technology subsector remains a focal point, with companies like Oracle (ORCL) and Broadcom (AVGO) set to report earnings. Investors are particularly interested in how these earnings will reflect the ongoing AI investments and their potential returns.
- **Media:** The media landscape is adapting to digital transformations but faces challenges from traditional revenue streams. Companies are increasingly focusing on digital content to engage audiences.
- **Telecommunications:** Telecom firms are investing heavily in 5G infrastructure, which is expected to drive new revenue opportunities, particularly in IoT applications.
- **Fintech:** The fintech sector continues to thrive, driven by innovations in payment solutions and digital banking, although concerns about market saturation linger.
- **AI:** The AI subsector is experiencing significant investment, but there are growing worries about an AI-fueled bubble, as highlighted by recent market fluctuations.

Key Market Drivers and Headwinds

Drivers:

- **Interest Rate Cuts:** The Federal Reserve's anticipated interest rate cuts are providing a supportive backdrop for equity markets, particularly in the tech sector. This has led to increased investor optimism, as seen in the recent rise of Asian equities following a record day on Wall

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Street.

- Strong Earnings Expectations: Investors are closely monitoring earnings from tech giants like Oracle and Broadcom, which are expected to provide insights into the health of the tech sector amid substantial AI investments.

Headwinds:

- Regulatory Concerns: Increased scrutiny from regulators, particularly regarding AI and data privacy, poses risks to market valuations and M&A activities.
- Market Volatility: Recent fluctuations in global markets, particularly concerns about an AI bubble, have led to cautious sentiment among investors. The tepid performance of major indices like the S&P 500 and Dow Jones reflects this uncertainty.

Subsector Performance Analysis

- Software: The software sector, particularly companies focusing on AI and cloud solutions, is expected to show resilience. The upcoming earnings from Oracle will be crucial in assessing future growth potential.
- Media: Media companies are increasingly pivoting towards digital platforms, but traditional media continues to struggle with declining ad revenues.
- Telecom: Telecom operators are ramping up investments in 5G technologies, which are expected to unlock new revenue streams.
- Fintech: The fintech sector remains robust, although concerns about market saturation and competition are emerging.
- AI: The AI subsector is booming, but investor sentiment is mixed due to fears of overvaluation and the sustainability of returns on recent investments.

Trading Multiples Trends

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

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

These multiples highlight 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

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- Analysts are expressing cautious optimism regarding the TMT sector. For instance, a market analyst noted, "While the tech sector has been buoyed by AI investments, the upcoming earnings reports will be critical in determining whether these valuations are justified."

Actionable Insights for Bankers and Investors

- **Prioritize High-Growth Sectors:** Investors should focus on high-growth areas such as AI and fintech, while remaining cautious about traditional media and telecom investments.
- **Stay Informed on Regulatory Changes:** Understanding the evolving regulatory landscape is crucial for assessing risks in tech and media investments.
- **Explore Strategic Partnerships:** Companies should consider strategic partnerships and acquisitions to enhance their technological capabilities and market positioning.
- **Evaluate Current Valuations:** Investors should carefully assess trading multiples and sector performance when making investment decisions, particularly in high-growth subsectors.

In summary, the TMT sector is characterized by both opportunities and challenges. By focusing on technological advancements and understanding market dynamics, investors and bankers can better 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 recent surge in M&A activity within the TMT sector, particularly driven by fundraising successes in Asia, has significant implications for various stakeholders. This analysis examines the potential impacts on shareholders, employees, competitors, and customers, alongside market reactions and future outlooks.

Deal-Specific Impacts on Stakeholders

- **Shareholders**: The financial implications of M&A transactions can vary widely, influencing both value creation and dilution.
- **Value Creation**: For instance, if a major player like BYD Co. (BYDDF) acquires a smaller EV startup, the combined entity could see revenue growth of 25% due to expanded product lines and market reach. Assuming BYD's pre-deal market cap of \$80 billion, this could translate to an additional \$20 billion in shareholder value.
- **Dilution**: If the acquisition is financed through equity, existing shareholders may face dilution. For example, if BYD issues 15% of its shares to fund the deal, existing shareholders could see their ownership stake decrease, potentially leading to a 7% drop in share price post-announcement.
- **Employees**: Employee impacts are critical in M&A scenarios, often involving synergies, restructuring, and retention strategies.
- **Synergies**: The merger of two tech firms, such as Xiaomi Corp. (XIACF) and a smaller

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competitor, could yield significant cost synergies, estimated at \$1 billion annually through streamlined operations and shared technology.

- Restructuring: However, such mergers can lead to layoffs. For instance, in past tech mergers, thousands of jobs were cut as redundant positions were eliminated, emphasizing the need for careful planning to retain key talent.
- Retention: To mitigate talent loss, companies may offer retention bonuses. For example, in the acquisition of a tech startup by a larger firm, retention packages were provided to key engineers to ensure continuity during the transition.
- Competitors: The competitive landscape can shift dramatically following an acquisition.
- Market Positioning: After the merger of major players, competitors like Tesla (TSLA) may need to adapt their strategies. For example, following a significant merger in the EV space, Tesla could respond by enhancing its R&D budget by 20% to maintain its competitive edge.
- Specific Competitor Moves: Rivals may also engage in aggressive marketing campaigns or product launches to counteract the newly combined entity's market strength.
- Customers: The implications for customers can vary based on the nature of the deal.
- Product/Service Implications: A merger between two telecommunications giants could lead to improved service offerings, such as faster internet speeds or bundled services. This was evident when AT&T (T) and Time Warner merged, resulting in enhanced customer value through bundled media and telecom services.
- Case Studies: The acquisition of WhatsApp by Facebook (FB) led to significant improvements in messaging features, directly benefiting users with enhanced functionalities.

Market Reaction and Analyst Commentary

- Market Reaction: The immediate market reaction to M&A announcements can be volatile. For example, when a major tech acquisition is announced, shares of the acquiring company may initially dip due to concerns over integration costs.
- Analyst Commentary: Analysts often provide insights that shape market perceptions. A notable quote from an analyst following a recent acquisition was, "While the initial market reaction may be cautious, the long-term strategic benefits are likely to outweigh short-term volatility."

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

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- **Likelihood Assessment:** The likelihood of counter-bids can vary based on market conditions. For example, in the case of a proposed acquisition in the tech sector, there may be interest from other major players looking to expand their market presence. However, regulatory hurdles often deter competing offers, leading to a moderate likelihood of successful counter-bids.

Similar Deals Likely to Follow

- **Sector Consolidation Predictions:** The TMT sector is expected to see continued consolidation, particularly in the wake of successful fundraising in Asia.
- Analysts predict that as companies seek to enhance their technological capabilities, similar deals will emerge, especially 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 to track progress.
- **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, and Structured Products. Each section will provide a detailed explanation

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of the trend, its market significance, key players, competitive dynamics, and potential M&A opportunities.

Artificial Intelligence (AI)

- **Trend Explanation:** AI encompasses a range of technologies that enable machines to perform tasks that typically require human intelligence, such as understanding natural language, recognizing patterns, and making decisions. The global AI market is projected to grow from \$93.5 billion in 2021 to \$997.8 billion by 2028, at a CAGR of 40.2%.
- **Key Companies:**
 - **Arm China:** As a subsidiary of Arm Holdings, Arm China is establishing a chip intellectual property R&D center in Hong Kong focused on AI and robotics. This move is part of a broader strategy to tap into Hong Kong's talent pool and enhance its technological capabilities.
 - **RabbitPre:** This AI startup is also expanding in Hong Kong, focusing on innovative AI solutions. The company aims to leverage the region's growing tech ecosystem for its growth.
- **Competitive Landscape:** The AI market is highly competitive, with major players including NVIDIA Corporation (NVDA), Google (GOOGL), and Microsoft (MSFT) 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 robotics or natural language processing. The establishment of Arm China's R&D center could lead to potential partnerships or acquisitions of local AI startups.

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:** While specific companies were not highlighted in the provided news, major players in the blockchain space include Coinbase Global, Inc. (COIN) and Square, Inc. (SQ). These companies are well-positioned to benefit from the growing adoption of cryptocurrencies and blockchain technology.
- **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 increasing interest in blockchain solutions presents a ripe opportunity for strategic acquisitions.

Structured Products

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- Trend Explanation: The issuance of structured products linked to equities has surged, particularly in Asia, driven by a recovery in the stock market and increasing investor appetite. The market for these products has grown to over \$200 billion in 2025, marking an 80% increase from previous years.
- Key Companies:
- BNP Paribas SA: A leading issuer of structured products, BNP Paribas has capitalized on the growing demand for complex equity notes, particularly those linked to Asian stocks like Alibaba Group and Tencent Holdings.
- Royal Bank of Canada: This bank has also seen significant growth in its equity-linked notes, with a notable shift towards Hong Kong-listed equities.
- Competitive Landscape: The structured products market is becoming increasingly competitive, with banks like JPMorgan Chase & Co. and Barclays Plc also vying for market share. The focus on Asian equities has shifted the competitive dynamics, with local banks gaining prominence.
- M&A Opportunities: The growth in structured products presents opportunities for banks to acquire fintech firms specializing in equity-linked solutions. As demand for these products continues to rise, strategic acquisitions could enhance product offerings and market reach.

Actionable Insights for Bankers and Investors

Focus on identifying emerging AI startups in Hong Kong and mainland China that may be ripe for acquisition or partnership, particularly those aligned with Arm China's R&D initiatives.

Monitor the structured products market closely, as the increasing issuance of complex equity notes linked to Asian stocks presents lucrative investment opportunities.

Consider strategic investments in blockchain technology firms, as the growing adoption of decentralized solutions will likely drive M&A activity in this space.

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

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

Deal Name: Salesforce's Acquisition of Slack

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

Deal Name: NVIDIA's Acquisition of Arm Holdings

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

Deal Name: Verizon's Acquisition of TracFone

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

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. IG bond supply forecast: \$2.25 trillion in gross issuance
- Year-over-year increase in IG bond issuance: 25%

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- Net issuance projection: \$1 trillion, a 60% year-over-year increase
- Expected modest widening in credit spreads: approximately 15 basis points

Main Insights:

- Strong demand for AI and data center-related CapEx is expected to drive credit market activity.
- The projected growth in AI CapEx is viewed as a multi-year process.
- M&A activity is anticipated to contribute significantly to the increase in investment-grade supply.
- The outlook for 2026 suggests a transition from synchronized tightening to asynchronous normalization in global rates.

Market Commentary:

- "Demand for compute will far outstrip the supply over the next several years" - Vishy Tirupattur, Morgan Stanley
- "The bulk of the AI-related issuance will come from high-quality issuers, which are currently underrepresented" - Vishy Tirupattur, Morgan Stanley
- "The market is not the economy and the economy is not the market" - Vishy Tirupattur, Morgan Stanley

TMT Sector Relevance:

- Increased CapEx in AI and data centers indicates strong growth potential for TMT companies involved in technology and infrastructure.
- The anticipated rise in M&A activity could lead to consolidation in the TMT sector, enhancing competitive positioning.
- The credit market dynamics will play a crucial role in financing TMT investments, particularly in AI-driven projects.

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