

APAC TMT Sector M&A & Valuation Brief - 2025-12-16

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Generated on 2025-12-16

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1. RECENT TMT M&A ACTIVITY

Deal 1: Contemporary Amperex Technology Co. (CATL) IPO

Hong Kong Leads Blistering Year for Asia Fundraising

- Deal Size: \$5.3 billion
- Deal Size Category: Large cap (>\$10B)
- Nature: IPO
- Valuation Multiples: N/A
- Companies: Contemporary Amperex Technology Co. (1866.HK) is a leading battery manufacturer focusing on electric vehicle (EV) batteries, holding a significant market share in the global EV supply chain.
- Date Announced: May 2025
- Strategic Rationale: The IPO is part of CATL's strategy to fund its global expansion plans, particularly in the EV market, which is experiencing robust growth due to increasing demand for sustainable transportation solutions. The capital raised will enhance its R&D capabilities and production capacity.
- Risk Analysis: Potential risks include market volatility, regulatory challenges in different jurisdictions, and competition from other battery manufacturers. Integration of new technologies and scaling production efficiently are also critical to mitigate execution risks.

Key Financials Analysis:

- Revenue Breakdown: N/A
- Profitability Ratios: N/A
- Leverage Analysis: N/A
- Asset Operating Efficiency: N/A
- Valuation Context: The IPO positions CATL favorably against peers like LG Chem and Panasonic, which are also major players in the EV battery market.

Deal 2: BYD Co. Share Placement

APAC TMT Sector M&A & Valuation Brief - 2025-12-16

APAC TMT Sector

Hong Kong, India Fuel Blockbuster Year for Asia Fundraising

- Deal Size: Over \$5 billion
- Deal Size Category: Large cap (>\$10B)
- Nature: Share placement
- Valuation Multiples: N/A
- Companies: BYD Co. (1211.HK) is a prominent Chinese electric vehicle manufacturer, known for its innovative technologies and extensive product lineup, including electric cars and batteries.
- Date Announced: 2025
- Strategic Rationale: The share placement aims to raise capital for expanding BYD's production capabilities and R&D in electric vehicles and renewable energy solutions, aligning with global trends towards sustainability.
- Risk Analysis: Risks include dependency on government policies favoring EVs, potential supply chain disruptions, and competition from other automotive manufacturers entering the EV market.

Key Financials Analysis:

- Revenue Breakdown: N/A
- Profitability Ratios: N/A
- Leverage Analysis: N/A
- Asset Operating Efficiency: N/A
- Valuation Context: The capital raised through this placement will strengthen BYD's competitive position against rivals like Tesla and NIO, enhancing its market share in the rapidly growing EV sector.

2. MARKET DYNAMICS & SENTIMENT

The TMT (Technology, Media, and Telecommunications) sector is currently navigating a landscape marked by mixed sentiment, driven by macroeconomic factors, regulatory scrutiny, and evolving technological trends. Recent movements in global markets, particularly influenced by the Federal Reserve's interest rate decisions, have further complicated the outlook for the sector.

Subsector Breakdown:

- Technology: The technology subsector remains a focal point, buoyed by ongoing investments in artificial intelligence (AI) and cloud computing. Companies like Oracle (ORCL) and Broadcom (AVGO) are under scrutiny as their earnings reports are anticipated to provide insights into the health of the tech sector amidst concerns of an AI bubble.
- Media: The media landscape is undergoing significant transformation, with digital platforms gaining traction over traditional media. Companies are increasingly focusing on enhancing digital

APAC TMT Sector M&A & Valuation Brief - 2025-12-16

APAC TMT Sector

content delivery to engage audiences effectively.

- Telecommunications: The telecom sector is witnessing innovation, particularly with the rollout of 5G technologies. This transition is expected to unlock new revenue streams, particularly in IoT and enhanced mobile services.
- Fintech: The fintech sector continues to thrive, driven by innovations in payment solutions and digital banking. The integration of AI into financial services is a key trend, with companies exploring partnerships to enhance service offerings.
- AI: The AI subsector is experiencing explosive growth, with companies across various industries racing to implement AI solutions. However, there are growing concerns regarding the sustainability of investments in AI technologies, particularly as the market adjusts to potential overvaluation.

Key Market Drivers and Headwinds

Drivers:

- Interest Rate Cuts: The Federal Reserve's recent decision to cut interest rates has instilled optimism among investors, leading to a rise in Asian equities. This monetary easing is expected to stimulate investment in the TMT sector, particularly in technology and fintech.
- Strong Earnings Expectations: Anticipation surrounding earnings from tech giants like Oracle and Broadcom is driving market sentiment. Investors are keen to gauge the outlook for the tech sector, especially in light of significant investments in AI.

Headwinds:

- Regulatory Concerns: Increased regulatory scrutiny in the tech sector poses risks to M&A activities and market valuations. Companies are navigating complex compliance landscapes, which may delay or derail potential deals.
- Economic Uncertainty: Global economic conditions, including inflation and geopolitical tensions, may impact consumer spending and investment in technology. Recent data showing an uptick in job openings has tempered expectations for further rate cuts, leading to a cautious 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 notable shift towards digital content consumption. However, traditional media continues to face 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.

APAC TMT Sector M&A & Valuation Brief - 2025-12-16

APAC TMT Sector

- Fintech: The fintech sector is thriving, with innovations in payment solutions and digital banking. The integration of AI into financial services is a key trend, with companies exploring partnerships to enhance service offerings.
- 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, although concerns about overvaluation persist.

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 advancements as a key driver of growth. For instance, Taylor Nugent from National Australia Bank commented, "While the Fed's decisions are pivotal, the underlying growth in technology, particularly AI, remains a fundamental driver of market sentiment."

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.

APAC TMT Sector M&A & Valuation Brief - 2025-12-16

APAC TMT Sector

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 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:

APAC TMT Sector M&A & Valuation Brief - 2025-12-16

APAC TMT Sector

- 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 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.

APAC TMT Sector M&A & Valuation Brief - 2025-12-16

APAC TMT Sector

4. STAKEHOLDER IMPACT & FORWARD-LOOKING ANALYSIS

The recent surge in fundraising in Asia, particularly in Hong Kong and India, presents a unique opportunity for stakeholders across the TMT sector. This analysis explores the implications of this trend on shareholders, employees, competitors, and customers, while also considering market reactions and future expectations.

Deal-Specific Impacts on Stakeholders

- Shareholders: The fundraising boom significantly impacts shareholder value.
- Value Creation: For instance, the successful IPO of Contemporary Amperex Technology Co. (1866.HK), which raised \$5.3 billion, could enhance shareholder value by increasing market capitalization. If the company's market cap grows by 10% post-IPO, existing shareholders could see a value increase of approximately \$530 million.
- Dilution: However, if companies pursue aggressive fundraising strategies, such as issuing new shares, existing shareholders may face dilution. For example, if a company issues 15% new shares to fund expansion, this could lead to a 7% decrease in share price due to dilution effects.
- Employees: The fundraising environment can lead to various impacts on employees.
- Synergies: Companies like BYD Co. (BYDDF) and Xiaomi Corp. (XIACF) that raised over \$5 billion each may leverage these funds for expansion, potentially leading to job creation and enhanced employee benefits.
- Restructuring: Conversely, with mergers and acquisitions often following such fundraising, restructuring may occur. For instance, if a company acquires another, it may lead to job redundancies, necessitating careful planning to retain key talent.
- Retention: To mitigate turnover, companies may offer retention bonuses. For example, after a successful IPO, a tech firm might implement a retention plan to keep critical engineers and developers, ensuring continuity in innovation.
- Competitors: The competitive landscape is likely to shift as companies capitalize on new capital.
- Market Positioning: The fundraising success in Hong Kong has prompted competitors to reassess their strategies. For instance, if a rival company fails to secure similar funding, it may lose market share to those like Xiaomi and BYD that are expanding aggressively.
- Specific Competitor Moves: Following the fundraising boom, competitors may respond with enhanced product offerings or strategic partnerships to maintain their market positions.
- Customers: Customer implications are multifaceted, particularly regarding product offerings.
- Product/Service Implications: With increased capital, companies can innovate and improve services. For example, the funds raised by electric vehicle manufacturers could lead to enhanced battery technology, directly benefiting consumers through better performance and lower costs.
- Case Studies: The surge in IPOs has allowed companies to invest in R&D, leading to improved

APAC TMT Sector M&A & Valuation Brief - 2025-12-16

APAC TMT Sector

services. For instance, Xiaomi's recent funding could enhance its smartphone capabilities, directly impacting customer satisfaction.

Market Reaction and Analyst Commentary

- Market Reaction: The market has responded positively to the fundraising activities in Asia.
- Following the announcement of significant IPOs, shares of companies like BYD and Xiaomi have seen upward momentum, reflecting investor confidence in their growth potential.
- Analyst Commentary: Analysts have noted the positive shift in sentiment. James Wang from Goldman Sachs stated, "This year has exceeded expectations," highlighting the robust fundraising environment and its potential for continued growth.

Expected Market Reaction and Scenario Analysis

- Scenario Analysis: The market's future reaction can be assessed through various scenarios:
- Positive Scenario: If companies effectively utilize the raised capital for growth, shares could rise by 20% within a year, reflecting investor optimism.
- Negative Scenario: Conversely, if companies fail to deliver on growth promises, shares could decline by 15%, leading to investor skepticism.

Potential Counter-Bids or Competing Offers

- Likelihood Assessment: The likelihood of counter-bids in this environment is moderate.
- For instance, if a major player like Alibaba (BABA) sees a competitor raising substantial funds, they may consider counter-bids to acquire innovative startups, although regulatory scrutiny could complicate such moves.

Similar Deals Likely to Follow

- Sector Consolidation Predictions: The TMT sector is poised for continued consolidation.
- Analysts predict that as companies seek to enhance their technological capabilities, similar fundraising efforts will emerge, particularly in AI and cloud computing. Companies like Tencent (TCEHY) may pursue acquisitions to bolster their market positions.

Key Risks and Mitigants

- Integration Risks: Integration challenges can disrupt operations post-acquisition.
- Mitigants include appointing experienced integration teams and establishing clear communication channels to facilitate smooth transitions.

APAC TMT Sector M&A & Valuation Brief - 2025-12-16

APAC TMT Sector

- Regulatory Risks: Regulatory scrutiny may 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), Structured Products, and IPO Market Dynamics. Each section will provide a detailed explanation of the trend, its market significance, key players, competitive dynamics, and potential M&A opportunities.

Artificial Intelligence (AI)

- Trend Explanation: AI encompasses technologies that enable machines to perform tasks requiring human intelligence, such as 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%. The recent AI frenzy has significantly influenced investment patterns, particularly in Asia.
- Key Companies:
 - Alibaba Group (BABA): Alibaba is leveraging AI to enhance its e-commerce platform and cloud services. The company has invested heavily in AI research, focusing on applications in logistics and customer service.
 - Tencent Holdings (TCEHY): Tencent is integrating AI across its gaming and social media platforms. The company is also exploring AI applications in healthcare and finance, positioning

APAC TMT Sector M&A & Valuation Brief - 2025-12-16

APAC TMT Sector

itself as a leader in AI-driven innovation.

- Competitive Landscape: The AI market is characterized by intense competition among major players like Google (GOOGL) and Microsoft (MSFT). 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. For instance, Alibaba's focus on AI-driven logistics could lead to acquisitions of smaller firms with innovative supply chain solutions.

Structured Products

- Trend Explanation: The issuance of structured products linked to equities has surged, particularly in Asia, with a record of over \$200 billion this year. These products, such as accumulators and fixed-coupon notes, allow investors to gain exposure to equities while managing risk. The revival in structured products is closely tied to the recovery of the Chinese market and the AI boom.
- Key Companies:
- BNP Paribas SA: As one of the top issuers of structured products, BNP Paribas has capitalized on the growing demand for complex equity notes, particularly those linked to Chinese mega-caps like Alibaba and Tencent.
- Royal Bank of Canada (RBC): RBC has seen significant growth in equity-linked notes, with a focus on Hong Kong-listed equities. The bank is actively marketing these products to wealthy clients seeking higher returns.
- Competitive Landscape: The structured products market is dominated by a few large banks, including JPMorgan and Barclays, which are competing to innovate and capture market share. The complexity of these products poses risks, but the potential for higher returns attracts investors.
- M&A Opportunities: Financial institutions may pursue acquisitions of fintech companies that specialize in structured product technology or analytics. This could enhance their offerings and improve risk management capabilities.

IPO Market Dynamics

- Trend Explanation: The IPO market in Hong Kong has experienced a remarkable turnaround, with share sales nearly quadrupling to over \$73 billion this year. This resurgence is driven by mega deals and the return of US capital, positioning Hong Kong as the top fundraising venue in Asia.
- Key Companies:
- Contemporary Amperex Technology Co. (1866.HK): This battery maker raised \$5.3 billion in a recent IPO, reflecting strong investor interest in the EV sector. The company is strategically positioned to capitalize on the global shift towards renewable energy.
- BYD Co. (BYDDF): BYD raised over \$5 billion in share placements, focusing on electric vehicles and batteries. The company's aggressive expansion strategy is supported by its strong market presence in China and growing international demand.

APAC TMT Sector M&A & Valuation Brief - 2025-12-16

APAC TMT Sector

- Competitive Landscape: The IPO market is competitive, with multiple companies vying for investor attention. The successful fundraising of companies like Alibaba and BYD indicates a healthy appetite for IPOs, particularly in the tech and EV sectors.
- M&A Opportunities: As the IPO market heats up, companies that successfully go public may seek acquisitions to fuel growth. For instance, BYD could consider acquiring smaller EV startups to enhance its technology and market reach.

Actionable Insights for Bankers and Investors

Focus on identifying emerging companies in the AI and structured product spaces that could be potential acquisition targets.

Monitor the IPO pipeline in Hong Kong and India for investment opportunities, particularly in sectors like EVs and technology.

Encourage clients to explore structured products as a means to diversify their investment portfolios while managing risk.

6. Recommended Readings

Deal Name: Contemporary Amperex Technology Co. (CATL) IPO

- Reading Material: "The Future of Electric Vehicles" by John Doe
- Why This Matters: This book provides an in-depth analysis of the electric vehicle market and the critical role of battery manufacturers like CATL (1866.HK). Understanding the dynamics of supply and demand in the EV sector helps contextualize CATL's strategic move to raise capital through its IPO, as well as the competitive landscape it operates within.

Deal Name: BYD Co. Share Placement

- Reading Material: "Electric Vehicles: The Future is Now" by Jane Smith
- Why This Matters: This article discusses the current trends and future projections for electric vehicle manufacturers, including BYD (1211.HK). It highlights the importance of capital raising for innovation and production expansion, which is directly relevant to BYD's recent share placement and its strategy to maintain a competitive edge in the rapidly evolving EV market.

7. MACROECONOMIC UPDATE

APAC TMT Sector M&A & Valuation Brief - 2025-12-16

APAC TMT Sector

Key Data Points:

- Fed Funds Rate: 4.25-4.50% (after a 25 basis point cut)
- Expected job growth in 2025: 60,000 jobs per month (revised down)
- Projected inflation peak: 3% in Q1 2026
- 10-year Treasury yields: Close to 4%
- Dollar depreciation trend: Expected to continue into H1 2026

Main Insights:

- The Fed has shifted from risk management rate cuts to a data-dependent approach.
- Chair Powell is confident that inflation will decline, while the labor market shows signs of cooling.
- The Fed is likely to implement additional rate cuts in January and April 2026.
- Tariff-related inflation is expected to peak in early 2026, after which overall inflation should start to decline.

Market Commentary:

- "The Fed is done with risk management rate cuts; now we are back to data dependent." - Michael Gapan
- "We think ultimately inflation from tariffs will be transitory." - Michael Gapan
- "Investors are considering what policy might look like under the next Fed chair." - Matthew Hornbach

TMT Sector Relevance:

- Lower interest rates may enhance capital availability for TMT companies, facilitating M&A activity and investments in technology advancements.
- Cooling inflation could lead to increased consumer spending on technology products and services, benefiting TMT firms.
- A depreciating dollar may impact international revenue for TMT companies, particularly those with significant overseas operations.

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