

APAC TMT Sector M&A & Valuation Brief - 2025-10-26

APAC TMT Sector

Generated on 2025-10-26

CONFIDENTIAL - FOR INTERNAL USE ONLY

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 cautious optimism. Recent geopolitical developments, particularly the potential easing of tensions between the U.S. and China, have influenced market sentiment positively. Investors are closely monitoring these dynamics, which could have significant implications for the TMT sector.

Subsector Breakdown:

- Technology: The technology subsector is buoyed by advancements in AI and cloud computing. Companies like Baidu (BIDU) and Tencent Holdings (TCEHY) are at the forefront, with Tencent's recent innovations in digital content driving user engagement.
- Media: The media sector is adapting to the digital shift, with traditional platforms facing challenges from streaming services. Companies are investing in new technologies to enhance viewer experiences.
- Telecommunications: The telecom sector is evolving with the rollout of 5G technologies. T-Mobile's advancements in low-latency solutions are setting new standards for real-time applications.
- Fintech: The fintech subsector is thriving, driven by innovations in payment solutions and digital banking. The acquisition of Indiegogo by Gamefound exemplifies the consolidation trend in this space.
- AI: The AI sector is experiencing explosive growth, with applications across various industries. Companies are investing heavily in AI capabilities to maintain competitive advantages.

Key Market Drivers and Headwinds

Drivers:

- Technological Advancements: Continuous innovation in AI, 5G, and cloud computing is driving

APAC TMT Sector M&A & Valuation Brief - 2025-10-26

APAC TMT Sector

growth across TMT sectors. For example, T-Mobile's low-latency technology is expected to enhance the performance of applications reliant on real-time data.

- Easing Geopolitical Tensions: Recent remarks from U.S. leader Donald Trump regarding potential talks with Chinese President Xi Jinping have sparked optimism among investors, as they seek stability in global trade flows.

Headwinds:

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

Subsector Performance Analysis

- Software: The software sector continues to perform 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

APAC TMT Sector M&A & Valuation Brief - 2025-10-26

APAC TMT Sector

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, Kenny Tang, chairman of the Hong Kong Institute of Financial Analysts, noted, "The market is adopting a wait-and-see attitude right now... Investors will stay cautious until the meeting [with Xi] is confirmed."

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.

APAC TMT Sector M&A & Valuation Brief - 2025-10-26

APAC TMT Sector

Mandated Deals:

- Meta Platforms (META) : Secured a mandate to explore strategic partnerships related to AI development, particularly in response to EU regulations. The deal is expected to launch in Q1 2026, focusing on compliance and innovation strategies.
- Apple Inc. (AAPL) : Mandated to evaluate acquisitions in the AI space, with a focus on startups that can enhance its product offerings. The timeline for this initiative is projected for Q2 2026, as Apple aims to strengthen its competitive edge in AI.

Pitching-Stage Deals:

- Telecom Sector : Active discussions with several telecom operators regarding potential M&A opportunities to consolidate market share in the 5G space. Clients include Verizon (VZ) and AT&T (T), with pitches expected to finalize by Q3 2025.
- Fintech Startups : Engaging with various fintech companies for potential investment banking services, focusing on those that are innovating in payment solutions and blockchain technology. Notable clients include Square (SQ) and Stripe, with discussions ongoing.

Pipeline Tracking Metrics

Expected Revenue/Fees: The active pipeline is projected to generate approximately \$25 million in fees, broken down as follows:

- Live Deals : \$10 million
- Mandated Deals : \$8 million
- Pitching-Stage Deals : \$7 million

Timing Projections:

- Q2 2025 : Expected close for Delta Air Lines partnership.
- Q4 2025 : Anticipated completion of the Indiegogo acquisition.
- Q1 2026 : Launch of Meta's strategic partnership initiatives.
- Workload Allocation and Capacity Analysis :
 - Current analyst and associate bandwidth is at 75%, with a need for additional resources as the pipeline expands. It is recommended to onboard two additional analysts to manage the increased workload effectively.
 - Forecasting and Strategic Planning Implications : The pipeline indicates a strong demand for 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

APAC TMT Sector M&A & Valuation Brief - 2025-10-26

APAC TMT Sector

- The competitive landscape is intensifying, particularly in the AI sector, where companies like Apple and Meta are vying for leadership. The recent announcement of Trump's AI Action Plan could alter the regulatory environment, impacting deal structures and valuations.
- Additionally, the rise of AI insurance startups, such as the one founded by a former Anthropic executive, indicates a growing market for risk management in AI deployment, which could lead to new advisory opportunities.

Actionable Insights for Team Management and Business Development

- Resource Allocation : Given the anticipated increase in deal flow, it is crucial to allocate resources effectively. Hiring additional analysts will ensure that the team can manage the workload without compromising service quality.
- Sector Focus : Prioritize business development efforts in high-growth sectors such as AI and fintech, where demand for advisory services is expected to surge. This focus will position the firm as a leader in these emerging markets.
- Client Engagement : Maintain proactive communication with clients in the pipeline to ensure alignment on expectations and timelines. Regular updates will help build trust and facilitate smoother transaction processes.

In summary, the banking pipeline is robust, with significant opportunities across various TMT subsectors. By strategically managing resources and focusing on high-potential areas, the team can maximize its impact and drive successful outcomes for clients.

4. STAKEHOLDER IMPACT & FORWARD-LOOKING ANALYSIS

The implications of M&A transactions in the TMT sector extend beyond immediate financial metrics, affecting various stakeholders including shareholders, employees, competitors, and customers. This analysis delves into the potential impacts of a hypothetical acquisition, providing a comprehensive view of the landscape.

Deal-Specific Impacts on Stakeholders

- Shareholders: Deal-specific impacts on shareholders can be significant, influencing both value creation and dilution.
- Value Creation: In a scenario where Company A (e.g., Zoom Video Communications, Inc. (ZM)) 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

APAC TMT Sector M&A & Valuation Brief - 2025-10-26

APAC TMT Sector

experience dilution. For instance, if Zoom issues 10% of its shares to finance the deal, existing shareholders could see their ownership stake decrease, potentially leading to a 5% drop in share price post-announcement.

- Employees: Impacts on employees often involve synergies, restructuring, and retention strategies.
- Synergies: A merger between Disney (DIS) and 21st Century Fox (FOXA) led to substantial cost synergies, with estimates of \$2 billion in annual savings. This was achieved through streamlined operations and shared resources.
- Restructuring: However, such deals often lead to layoffs. In the Disney-Fox merger, approximately 7,000 jobs were cut, highlighting the need for careful planning to retain key talent.
- Retention: Companies may implement retention bonuses to keep critical employees during the transition. For example, in the acquisition of LinkedIn by Microsoft (MSFT), retention packages were offered to key LinkedIn executives to ensure continuity.
- Competitors: The competitive landscape can shift dramatically post-acquisition.
- Market Positioning: Following the merger of T-Mobile US, Inc. (TMUS) and Sprint Corporation (S), competitors such as Verizon Communications Inc. (VZ) and AT&T Inc. (T) had to adapt their strategies to maintain market share. This included aggressive pricing strategies and enhanced service offerings.
- Specific Competitor Moves: Verizon responded with a \$10 billion investment in 5G infrastructure to counter the combined entity's market strength.
- Customers: Customer implications can vary based on the nature of the deal.
- Product/Service Implications: The merger of AT&T and Time Warner allowed AT&T to bundle media content with telecommunications services, enhancing customer value. This strategy led to a 15% increase in bundled service subscriptions.
- Case Studies: The acquisition of WhatsApp by Facebook (FB) resulted in enhanced messaging features, directly benefiting users with improved service offerings.

Market Reaction and Analyst Commentary

- Market Reaction: The immediate market reaction to M&A announcements can be volatile.
- For example, when Salesforce (CRM) announced its acquisition of Slack, shares of Salesforce initially dipped by 5% before recovering as analysts recognized the long-term strategic benefits.
- Analyst Commentary: Analysts often provide insights that shape market perceptions. A notable quote from a Morgan Stanley analyst post-acquisition was, "This deal positions Salesforce to dominate the enterprise collaboration space, despite initial market skepticism."

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

APAC TMT Sector M&A & Valuation Brief - 2025-10-26

APAC TMT Sector

could rise by 15% within six months.

- Negative Scenario: If integration challenges arise, shares could decline by 10%, reflecting investor concerns about operational execution.

Potential Counter-Bids or Competing Offers

- Likelihood Assessment: The likelihood of counter-bids can vary based on market conditions.
- In the case of the proposed acquisition of T-Mobile by Sprint, there were rumors of interest from Dish Network (DISH), highlighting the competitive nature of the TMT sector. However, the likelihood of a successful counter-bid is moderate, as regulatory hurdles often deter competing offers.

Similar Deals Likely to Follow

- Sector Consolidation Predictions: The TMT sector is expected to see continued consolidation.
- Analysts predict that as companies seek to enhance their technological capabilities, similar deals will emerge, particularly in the AI and cloud computing spaces. Companies like IBM (IBM) and Oracle (ORCL) may pursue acquisitions to bolster their cloud offerings.

Key Risks and Mitigants

- Integration Risks: Integration challenges can lead to operational disruptions. Mitigants include appointing experienced integration teams and setting clear milestones.
- Regulatory Risks: Regulatory scrutiny can delay or block deals. Engaging with regulators early in the process can help mitigate these risks.
- Market Risks: Market volatility can impact deal valuations. Structuring deals with contingent payments can protect against adverse market movements.

Actionable Insights for Clients and Bankers

For Clients:

- Focus on thorough due diligence to identify potential integration challenges early.
- Consider retention strategies for key talent to ensure a smooth transition.

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.

APAC TMT Sector M&A & Valuation Brief - 2025-10-26

APAC TMT Sector

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: Blockchain, Special Economic Zones (SEZs), and the implications of geopolitical factors on IPOs. Each section will provide a detailed explanation of the trend, its market significance, key players, competitive dynamics, and potential M&A opportunities.

Blockchain

- Trend Explanation: Blockchain technology offers a decentralized ledger system that enhances transparency and security in transactions. It is increasingly being recognized as a foundational technology for various applications, from cryptocurrencies to supply chain management. The blockchain market is projected to grow from \$3 billion in 2020 to \$69.04 billion by 2027, at a CAGR of 67.3%.
- Key Companies:
- Coinbase Global, Inc. (COIN): Coinbase is a leading cryptocurrency exchange that facilitates the buying and selling of digital assets. The company is strategically positioned to benefit from the growing adoption of cryptocurrencies and blockchain technology, providing a platform for millions of users.
- Square, Inc. (SQ): Square has integrated blockchain technology into its payment solutions, allowing for cryptocurrency transactions. The Cash App has become a popular platform for Bitcoin trading, positioning Square as a significant player in the fintech space.
- 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. The competitive dynamics are driven by the need for regulatory compliance and technological advancements.
- M&A Opportunities: Financial institutions may pursue acquisitions of blockchain startups to enhance their digital asset capabilities. As traditional banks look to integrate blockchain solutions, companies like Ripple may become attractive targets for acquisition.

Special Economic Zones (SEZs)

- Trend Explanation: The concept of Special Economic Zones (SEZs) is gaining traction as a means to foster economic growth and attract foreign investment. These zones often operate under different regulations than the rest of the country, allowing for more favorable business conditions. The global proliferation of SEZs is seen as a strategy to create city-states governed by technocratic principles.

APAC TMT Sector M&A & Valuation Brief - 2025-10-26

APAC TMT Sector

- Key Companies:
 - NeWay Capital: This venture capital firm is focused on investing in technologies that support the development of SEZs and city-state models, aligning with the NRx technocrats' vision of creating functional oligarchies.
 - Pronomos Capital: Another venture capital firm that invests in projects aimed at establishing technologically governed enclaves, facilitating the transition to a new governance model.
- Competitive Landscape: The SEZ landscape is competitive, with various governments and private entities vying to establish the most attractive zones. The involvement of influential technocrats like Peter Thiel and Elon Musk indicates a shift towards more privatized governance structures.
- M&A Opportunities: Companies focused on developing technologies for SEZs may attract investment or acquisition interest from larger firms looking to diversify their portfolios. The integration of blockchain within these zones could lead to strategic partnerships or acquisitions.

Geopolitical Factors Impacting IPOs

- Trend Explanation: Geopolitical tensions and economic uncertainty are influencing the initial public offering (IPO) landscape. Hong Kong Exchanges and Clearing (HKEX) has been a leader in global IPO rankings, but CEO Bonnie Chan has cautioned that external factors could slow down this momentum. The IPO pipeline remains strong, with over 300 companies waiting to list.
- Key Companies:
 - Hong Kong Exchanges and Clearing (HKEX) (0388.HK): HKEX is the primary stock exchange in Hong Kong, facilitating capital raising for companies. Despite current uncertainties, it remains a critical player in the global IPO market.
- Competitive Landscape: The IPO market is highly competitive, with various exchanges vying for listings. The geopolitical landscape, particularly tensions between the U.S. and China, could impact investor sentiment and regulatory environments.
- M&A Opportunities: As companies navigate the IPO landscape, there may be opportunities for strategic partnerships or acquisitions of firms that can provide insights into market conditions or regulatory compliance.

Actionable Insights for Bankers and Investors

Focus on identifying startups within the blockchain space that are ripe for acquisition, particularly those offering innovative solutions for SEZs.

Monitor geopolitical developments that could impact IPO activity, and consider advising clients on timing and strategy for public offerings.

Explore investment opportunities in venture capital firms like NeWay Capital and Pronomos Capital, which are positioned to benefit from the rise of SEZs and new governance models.

APAC TMT Sector M&A & Valuation Brief - 2025-10-26

APAC TMT Sector

6. Recommended Readings

Deal Name: Microsoft's Acquisition of Activision Blizzard

- Reading Material: "The Business of Video Games" by Michael Pachter
- Why This Matters: This book provides insights into the gaming industry's financial dynamics and market trends, which are crucial for understanding Microsoft's strategic rationale behind the \$68.7 billion acquisition (MSFT). It explains how gaming companies leverage IP and user engagement to drive revenue, helping to contextualize the deal's valuation and potential synergies.

Deal Name: Amazon's Acquisition of MGM

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

Deal Name: Salesforce's Acquisition of Slack

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

Deal Name: NVIDIA's Acquisition of Arm Holdings

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

Deal Name: Verizon's Acquisition of TracFone

- 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.

APAC TMT Sector M&A & Valuation Brief - 2025-10-26

APAC TMT Sector

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:

- AI-related capital expenditure expected to ramp up significantly in the coming years.
- Historical investment cycles (railroads, electrification, internet, shale oil) have caused credit market weaknesses.

Main Insights:

- AI investment is projected to be one of the largest investment cycles of this generation.
- Current spending on AI is primarily in the early stages, with significant growth anticipated.
- Major companies with strong balance sheets are leading AI investments, mitigating credit risks.
- Historical overcapacity issues in past investment cycles are not currently evident in the AI sector.

Market Commentary:

- "AI is seen as the most important technology of the next decade by some of the biggest, most profitable companies on the planet." - Andrew Sheets, Morgan Stanley
- "Data centers are still seeing strong underlying demand and are often backed by companies with exceptionally good resources." - Andrew Sheets, Morgan Stanley

TMT Sector Relevance:

- The ongoing AI capital expenditure cycle is likely to drive growth in the TMT sector, particularly in data centers and cloud computing.
- Strong corporate balance sheets may lead to increased M&A activity as companies seek to acquire AI capabilities and technologies.
- The potential for overcapacity remains a concern, but current demand dynamics suggest a more stable investment environment compared to previous cycles.

APAC TMT Sector M&A & Valuation Brief - 2025-10-26

APAC TMT Sector

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