

APAC TMT Sector M&A & Valuation Brief - 2025-10-31

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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 both revitalization and challenges. The overall sentiment reflects a cautious optimism, driven by a resurgence in IPO activity and the need for traditional exchanges to adapt to emerging financial instruments.

Subsector Breakdown:

- Technology: The technology subsector is experiencing a renaissance, highlighted by significant IPOs such as CoreWeave and Figma, which raised \$1.5 billion and \$1.2 billion, respectively. This resurgence indicates a renewed investor appetite for tech listings.
- Media: Media companies are increasingly challenged by the rise of alternative investment platforms, including cryptocurrencies and exotic instruments, which are capturing investor interest away from traditional media.
- Telecommunications: The telecom sector is witnessing innovation as companies adapt to new technologies and consumer demands. However, competition remains fierce as traditional exchanges seek to stay relevant amid changing market dynamics.
- Fintech: The fintech space is thriving, with a growing number of investors exploring diverse investment opportunities, including cryptocurrencies. This trend is reshaping how financial services are delivered.
- AI: The AI subsector continues to gain traction, with companies leveraging AI to enhance operational efficiencies and customer experiences across various industries.

Key Market Drivers and Headwinds

Drivers:

- Revival of IPOs: The return of blockbuster IPOs, particularly in the U.S. and Hong Kong, is a significant driver of market sentiment. The competitive landscape among exchanges has intensified, with companies like Nasdaq emphasizing the importance of local listings.
- Emerging Investment Opportunities: The rise of alternative financial instruments, such as cryptocurrencies, is attracting a new wave of investors, prompting traditional exchanges to rethink their strategies.

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Headwinds:

- Increased Competition Among Exchanges: Traditional exchanges are facing pressure not only from each other but also from alternative platforms that offer innovative investment options. This competition can dilute the appeal of traditional listings.
- Regulatory Challenges: As the financial landscape evolves, regulatory scrutiny is increasing, particularly concerning new investment vehicles. Companies must navigate these complexities to ensure compliance while pursuing growth.

Subsector Performance Analysis

- Software: The software sector remains robust, driven by demand for cloud solutions and enterprise software. The resurgence of IPOs in this space signals strong investor confidence.
- Media: Media companies are adapting to changing consumer preferences, but the shift towards digital content consumption poses challenges for traditional media.
- Telecom: Telecom operators are investing in infrastructure to support new technologies, but the competitive landscape remains challenging as they vie for market share.
- Fintech: The fintech sector is thriving, with innovations in payment solutions and digital banking attracting significant investment.
- AI: The AI subsector is booming, with applications across various industries driving substantial investment and growth.

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 optimistic about the long-term prospects of the TMT sector, particularly in light of the resurgence of IPO activity. One analyst noted, "The return of blockbuster IPOs signals a renewed confidence in the tech sector, as companies seek to capitalize on favorable market conditions."

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Actionable Insights for Bankers and Investors

- Focus on High-Growth Areas: Investors should prioritize sectors with strong growth potential, such as technology and fintech, while being cautious with traditional media investments.
- Monitor Regulatory Developments: Staying informed about regulatory changes is crucial for assessing risks in tech and media investments, especially as new financial instruments gain traction.
- Leverage Local Listings: Companies should consider the benefits of local listings to attract investment and capitalize on regional market strengths.
- 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 experiencing a dynamic shift characterized by both opportunities and challenges. By focusing on emerging trends 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 diverse array of live deals, mandated transactions, and active pitches. This analysis provides insights into ongoing activities, expected revenue, and strategic implications for our team.

Deal Pipeline

Live Deals:

- CoreWeave : Currently in the final stages of its IPO process on the Nasdaq, aiming to raise approximately \$1.5 billion. The expected close is in Q4 2025, which would mark a significant milestone in the resurgence of IPO activity in the technology sector.
- Figma : This company is also in the IPO process on the NYSE, with an anticipated raise of \$1.2 billion. The deal is expected to close in Q4 2025, contributing to the growing trend of successful tech listings.

Mandated Deals:

- Saudi Tadawul Group : Secured a mandate to explore strategic partnerships with international exchanges to enhance its market offerings. The deal is expected to launch in Q1 2026, focusing on collaboration to attract more listings.
- Nasdaq : Mandated to evaluate potential acquisitions of fintech startups that can enhance its trading platform capabilities. The timeline for this initiative is projected for Q2 2026, as Nasdaq

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aims to strengthen its competitive edge in a rapidly evolving market.

Pitching-Stage Deals:

- Telecom Operators : Engaging in active discussions with several telecom companies 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 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:

- Q4 2025 : Expected close for CoreWeave and Figma IPOs.
- Q1 2026 : Launch of Saudi Tadawul Group's strategic partnership initiatives.
- Q2 2026 : Nasdaq's evaluation of fintech acquisitions.
- 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 IPO space, as exchanges like Nasdaq and HKEX compete for listings. The recent resurgence of IPOs, including CoreWeave and Figma, underscores the growing investor interest in tech companies.
- Additionally, the rise of alternative investment platforms, including cryptocurrencies and other exotic instruments, is reshaping the competitive dynamics. As noted by industry leaders, exchanges are not only competing with each other but also adapting to the evolving preferences of investors.

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

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

4. STAKEHOLDER IMPACT & FORWARD-LOOKING ANALYSIS

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

Deal-Specific Impacts on Stakeholders

- Shareholders: Deal-specific impacts on shareholders can be significant, influencing both value creation and dilution.
- Value Creation: In a scenario where Company A (e.g., Zoom Video Communications, Inc. (ZM)) acquires Company B (e.g., Slack Technologies, Inc. (WORK)), the combined entity could see a revenue increase of approximately 20% due to enhanced product offerings. Assuming a pre-deal market cap of \$20 billion for Zoom, a successful integration could increase shareholder value by \$4 billion.
- Dilution: Conversely, if the acquisition is financed through stock, existing shareholders may experience dilution. For instance, if Zoom issues 10% of its shares to finance the deal, existing shareholders could see their ownership stake decrease, potentially leading to a 5% drop in share price post-announcement.
- Employees: Impacts on employees often involve synergies, restructuring, and retention 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:
 - Microsoft Corporation (MSFT): Microsoft is heavily invested in AI through its Azure cloud platform and products like Microsoft 365. The company is focusing on integrating AI into its software offerings to enhance productivity and user experience.
 - Alphabet Inc. (GOOGL): Alphabet is leveraging AI across its product suite, including Google Search and YouTube. The company is also investing in AI research through its subsidiary DeepMind, which focuses on advanced machine learning technologies.
- Competitive Landscape: The AI market is highly competitive, with major players including Amazon (AMZN), IBM (IBM), and NVIDIA (NVDA) also investing heavily in AI technologies. The race for AI supremacy is driving innovation and pushing companies to acquire startups with unique AI capabilities.
- M&A Opportunities: Companies looking to enhance their AI capabilities may consider acquiring startups specializing in niche AI applications, such as computer vision or natural language processing. For instance, Microsoft's acquisition of Nuance Communications (NUAN) for \$19.7 billion in 2021 exemplifies this trend.

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:
 - Coinbase Global, Inc. (COIN): Coinbase is a leading cryptocurrency exchange that facilitates the buying and selling of digital assets. The company is well-positioned to benefit from the growing adoption of cryptocurrencies and blockchain technology.
 - Square, Inc. (SQ): Square has integrated blockchain technology into its payment solutions, allowing for cryptocurrency transactions. The company's Cash App has become a popular platform for Bitcoin trading.
- 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 subsidiary of Block (formerly Square), indicates a trend towards integrating blockchain solutions

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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 billion in 2020 to \$832 billion by 2025, at a CAGR of 17.5%.
- Key Companies:
- Amazon Web Services (AWS): AWS is a leading cloud service provider, offering a wide range of cloud solutions. The company continues to innovate with new services, maintaining its competitive edge in the market.
- Microsoft Azure: Microsoft Azure is a strong competitor in the cloud space, focusing on hybrid cloud solutions and enterprise services. The integration of AI and machine learning into Azure offerings enhances its value proposition.
- Competitive Landscape: The cloud computing market is dominated by a few key players, including AWS, Microsoft Azure, and Google Cloud Platform (GCP). The competition is intensifying as companies seek to differentiate their offerings through advanced technologies and customer service.
- M&A Opportunities: Companies may look to acquire cloud-native startups to enhance their service offerings or expand into new markets. For instance, the acquisition of companies specializing in cloud security or data analytics can provide strategic advantages.

Cybersecurity

- Trend Explanation: As digital transformation accelerates, cybersecurity has become a critical concern for businesses. 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 intelligence. The company's cloud-native platform leverages AI to provide real-time protection against cyber threats.
- Palo Alto Networks, Inc. (PANW): Palo Alto Networks offers

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

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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.

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.

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7. MACROECONOMIC UPDATE

Key Data Points:

- Global M&A volume forecast: \$7.8 trillion by 2027
- Expected increase in M&A volumes: 32% this year, 20% next year
- Private equity dry powder: over \$4 trillion

Main Insights:

- Significant multi-year uplift in global M&A activity is anticipated.
- Declining policy uncertainty with finalized U.S. tax legislation and tariff rates.
- Interest rates are expected to decline further from central banks.
- Regulatory environment is becoming more permissive for M&A transactions.
- Surge in capital expenditure indicates rising corporate confidence.

Market Commentary:

- "We think M&A is very closely linked to corporate confidence" - Andrew Sheets, Morgan Stanley
- "This may be the most permissive regulatory window for transactions that companies might get for some time" - Andrew Sheets, Morgan Stanley

TMT Sector Relevance:

- The favorable macroeconomic conditions are likely to spur M&A activity in the TMT sector, particularly in Media and Telecom.
- Increased corporate confidence and available capital could lead to significant consolidation among smaller TMT firms, enhancing competitive positioning.

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