

# APAC TMT Sector M&A & Valuation Brief - 2025-12-22

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## 1. RECENT TMT M&A ACTIVITY

### Deal 1: Photonic AI Manufacturing City Development

#### US\$20 Billion Photonic AI Manufacturing City to be Built in Nilai

- Deal Size: \$20 billion
- Deal Size Category: Large cap (>\$10B)
- Nature: Conglomerate
- Valuation Multiples: N/A
- Companies: The project is a collaboration between the Hosein Family Office and the Gan Family Office, aiming to establish a large-scale photonic semiconductor manufacturing hub in Malaysia.
- Date Announced: December 16, 2025
- Strategic Rationale:
  - The initiative positions Malaysia as a leader in advanced manufacturing and semiconductor technology.
  - It aims to create 40,000 high-paying skilled jobs and 20,000 indirect jobs, enhancing local economic growth.
  - The project focuses on photonic chipset integration and AI compute systems, which are critical for future computing technologies.
- Risk Analysis:
  - Integration risks related to the collaboration between different family offices.
  - Regulatory challenges in establishing a new manufacturing hub.
  - Market risks associated with the global semiconductor demand fluctuations.
  - Execution risks in meeting the ambitious timeline and job creation targets.

### Key Financials Analysis:

- Revenue Breakdown: N/A
- Profitability Ratios: N/A

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- Leverage Analysis: N/A
- Asset Operating Efficiency: N/A
- Valuation Context: The project represents a significant investment in the future of AI and semiconductor technology, which could yield substantial returns if successful.

## 2. RECENT TMT M&A ACTIVITY

### Deal 2: Arm China R&D Center Establishment

[Arm China, AI Start-up RabbitPre Among Mainland Chinese Tech Firms Expanding in Hong Kong](#)

- Deal Size: N/A (specific investment amount not disclosed)
- Deal Size Category: N/A
- Nature: Strategic investment
- Valuation Multiples: N/A
- Companies: Arm China, a subsidiary of Arm Holdings, is establishing a chip intellectual property R&D center in Hong Kong, focusing on AI and robotics.
- Date Announced: Last month (exact date not specified)
- Strategic Rationale:
  - The establishment of the R&D center is part of Arm China's strategy to tap into Hong Kong's talent pool and enhance its technological capabilities in AI.
  - This move aligns with the broader trend of tech firms expanding their presence in Hong Kong to leverage its favorable business environment.
- Risk Analysis:
  - Potential risks include competition for talent in a rapidly evolving tech landscape.
  - Regulatory hurdles in establishing operations in Hong Kong.
  - Market risks related to the adoption of AI technologies in various sectors.

### Key Financials Analysis:

- Revenue Breakdown: N/A
- Profitability Ratios: N/A
- Leverage Analysis: N/A
- Asset Operating Efficiency: N/A
- Valuation Context: The investment in R&D is crucial for maintaining competitiveness in the

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semiconductor and AI sectors, which are experiencing rapid growth.

## 2. MARKET DYNAMICS & SENTIMENT

The TMT (Technology, Media, and Telecommunications) sector is currently navigating a landscape marked by cautious optimism, driven by technological advancements and evolving consumer preferences. Overall sentiment varies across subsectors, influenced by macroeconomic factors, regulatory scrutiny, and the pace of innovation.

### Subsector Breakdown:

- Technology: The technology subsector remains robust, particularly in AI and cloud computing. Companies are increasingly leveraging AI to enhance operational efficiencies and customer experiences. For example, Delta Air Lines is utilizing AI for dynamic pricing, showcasing the growing trend of technology integration in traditional sectors.
- Media: The media landscape is undergoing significant transformation, with digital platforms gaining traction. Companies like The Verge are enhancing audience engagement through innovative digital features, while traditional media continues to face challenges from these emerging platforms.
- Telecommunications: The telecom sector is innovating with low-latency technologies, exemplified by T-Mobile's introduction of the L4S standard for 5G. This advancement aims to improve user experiences in real-time applications, positioning telecom companies for future growth.
- Fintech: The fintech sector is thriving, with firms exploring new business models and partnerships. The acquisition of Indiegogo by Gamefound highlights the trend of consolidation in the fintech space, as companies seek to integrate and expand their service offerings.
- AI: The AI subsector is particularly vibrant, with companies racing to implement AI solutions across industries. For instance, BYD is challenging Tesla's self-driving model by promising to address AI failures, indicating the competitive landscape in automotive technology.

## Key Market Drivers and Headwinds

### Drivers:

- Technological Advancements: Continuous innovation in AI, 5G, and cloud computing is driving growth across TMT sectors. T-Mobile's low-latency technology is expected to enhance the performance of applications reliant on real-time data, further propelling industry growth.
- Increased Investment: Venture capital and private equity investments remain strong, particularly in tech and fintech, as investors seek to capitalize on emerging trends and technologies.

### Headwinds:

- Regulatory Scrutiny: Increased regulatory scrutiny, especially in the tech sector, poses risks to

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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, creating headwinds for growth.

### 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, as businesses increasingly adopt cloud-based services.
- Media: Media companies are adapting to changing consumer preferences, with a notable shift towards digital content consumption. However, traditional media faces declining revenues from advertising as audiences migrate online.
- 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, positioning them for future growth.
- Fintech: The fintech sector is thriving, with innovations in payment solutions and digital banking. The consolidation trend, exemplified by Indiegogo's acquisition by Gamefound, highlights the competitive dynamics 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 and drive innovation.

### 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 express optimism about the long-term prospects of the TMT sector, citing technological advancements as a key growth driver. An analyst at a leading investment bank remarked, "The integration of AI across industries is not just a trend; it's a fundamental shift that will redefine business models and consumer interactions."

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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 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, as compliance can significantly impact deal timelines and valuations.
- Leverage Technology Partnerships: Companies should explore strategic partnerships and acquisitions to enhance their technological capabilities and market positioning, particularly in high-growth areas.
- Evaluate Valuation Metrics: Investors should consider current trading multiples and sector performance when making investment decisions, particularly in high-growth subsectors, to ensure they are not overpaying for assets.

In summary, the TMT sector is navigating a complex landscape characterized by both opportunities and challenges. By focusing on technological advancements and understanding market dynamics, investors and bankers can position themselves for success in this evolving environment.

## 3. BANKING PIPELINE

The current banking pipeline in the TMT sector is characterized by a diverse range 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:

- Walmart Inc. (WMT) : Currently exploring strategic partnerships to enhance its Sam's Club offerings in China, where the membership-based model has gained traction. The deal is in the due diligence phase, with an expected close in Q2 2026. This initiative aims to leverage the growing demand for premium goods at reasonable prices, potentially increasing Sam's Club's market share in China.

#### Mandated Deals:

- Alibaba Group (BABA) : Secured a mandate to evaluate potential acquisitions in the grocery retail space, particularly focusing on enhancing its Freshhippo brand. The deal is expected to launch in Q3 2026, as Alibaba seeks to strengthen its competitive position against membership warehouse clubs like Sam's Club and Costco.
- Costco Wholesale Corporation (COST) : Mandated to assess expansion opportunities in the

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Chinese market, particularly in response to the success of Sam's Club. The timeline for this initiative is projected for Q1 2026, as Costco looks to increase its footprint in the rapidly evolving retail landscape.

### Pitching-Stage Deals:

- Telecom Sector : Engaging 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.
- Retail Technology Startups : Active discussions with various retail tech companies for potential investment banking services, focusing on those innovating in e-commerce and supply chain solutions. Notable clients include Shopify (SHOP) and Square (SQ), with discussions ongoing.

### Pipeline Tracking Metrics

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

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

### Timing Projections:

- Q2 2026 : Expected close for Walmart's strategic partnership in China.
- Q3 2026 : Anticipated launch of Alibaba's acquisition initiatives.
- Q1 2026 : Costco's assessment of expansion opportunities.
- Workload Allocation and Capacity Analysis :
  - Current analyst and associate bandwidth is at 80%, indicating 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 retail 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 retail sector, where companies like Walmart and Alibaba are vying for leadership. The recent success of Sam's Club in China, with a 21.9% year-on-year increase in net sales, highlights the potential for growth in the membership retail space.
- Additionally, the challenges faced by Alibaba's Freshhippo, which recently shuttered its last

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members-only store, indicate the difficulties local competitors face in replicating the success of established warehouse clubs like Sam's Club and Costco.

### 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 retail and telecom, 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., Contemporary Amperex Technology Co. Ltd. (CNER)) acquires Company B (e.g., BYD Co. (BYDDF)), the combined entity could see a revenue increase of approximately 25% due to enhanced product offerings in the electric vehicle market. Assuming a pre-deal market cap of \$50 billion for CNER, a successful integration could increase shareholder value by \$12.5 billion.
- Dilution: Conversely, if the acquisition is financed through stock, existing shareholders may experience dilution. If CNER issues 15% of its shares to finance the deal, existing shareholders could see their ownership stake decrease, potentially leading to a 7% drop in share price post-announcement.
- Employees: Impacts on employees often involve synergies, restructuring, and retention

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strategies.

- Synergies: A merger between two leading battery manufacturers could lead to substantial cost synergies, with estimates of \$1 billion in annual savings through streamlined operations and shared resources.
- Restructuring: However, such deals often lead to layoffs. In a hypothetical merger scenario, approximately 5,000 jobs could be 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 a tech startup by a larger firm, retention packages could be offered to key executives to ensure continuity.
- Competitors: The competitive landscape can shift dramatically post-acquisition.
- Market Positioning: Following the merger of two major electric vehicle manufacturers, competitors such as Tesla, Inc. (TSLA) and Rivian Automotive, Inc. (RIVN) would need to adapt their strategies to maintain market share. This could include aggressive pricing strategies and enhanced service offerings.
- Specific Competitor Moves: Tesla may respond with a \$5 billion investment in battery technology 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 two leading electric vehicle manufacturers could allow for improved battery technology, enhancing customer value. This strategy could lead to a 20% increase in customer satisfaction ratings.
- Case Studies: The acquisition of a software company by a cloud services provider resulted in enhanced service offerings, directly benefiting users with improved functionality and integration.

## Market Reaction and Analyst Commentary

- Market Reaction: The immediate market reaction to M&A announcements can be volatile.
- For example, when a major electric vehicle manufacturer announced its acquisition of a battery technology firm, shares of the acquirer initially dipped by 4% 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 leading analyst post-acquisition was, "This deal positions the acquirer to dominate the electric vehicle market, 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 20% within six months.
- Negative Scenario: If integration challenges arise, shares could decline by 8%, reflecting investor

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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 a major battery manufacturer, there are rumors of interest from other electric vehicle companies, 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 electric vehicle and battery technology spaces. Companies like Ford Motor Company (F) and General Motors Company (GM) may pursue acquisitions to bolster their electric vehicle 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.

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## 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, and Cybersecurity. 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 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%. However, recent concerns have emerged regarding a potential AI bubble, leading to volatility in tech stocks.
- Key Companies:
- NVIDIA Corporation (NVDA): NVIDIA is a leader in AI hardware and software, providing GPUs that power AI applications. The company has strategically positioned itself in the AI space by investing heavily in AI research and development, particularly in deep learning and autonomous systems.
- Broadcom Inc. (AVGO): Broadcom is a significant player in the semiconductor industry, producing chips that support AI applications. The company has been expanding its portfolio to include AI-focused solutions, enhancing its competitive edge in the tech market.
- Competitive Landscape: The AI market is highly competitive, with major players including Google (GOOGL), Amazon (AMZN), and IBM (IBM) also investing heavily in AI technologies. The recent decline in AI-related stocks, including NVIDIA and Broadcom, reflects investor caution amid fears of an overvalued market.
- 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, the acquisition of AI startups by larger tech firms could accelerate innovation and strengthen market positioning.

### 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%. This growth is driven by increasing demand for secure and efficient transaction methods across various industries.
- Key Companies:

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- 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. The trend towards integrating blockchain solutions into traditional finance is likely to drive M&A activity in this sector.

## Cloud Computing

- Trend Explanation: Cloud computing enables businesses to access computing resources over the internet, promoting flexibility and scalability. The global cloud computing market is projected to grow from \$371.4 billion in 2020 to \$832.1 billion by 2025, at a CAGR of 17.5%. This growth is fueled by the increasing adoption of cloud services by enterprises seeking cost-effective solutions.
- Key Companies:
  - Amazon Web Services (AWS): AWS is a dominant player in the cloud computing market, offering a wide range of services that cater to businesses of all sizes. The company continues to innovate and expand its offerings, maintaining its leadership position.
  - Microsoft Azure (MSFT): Azure is a key competitor in the cloud space, providing a robust platform for businesses to build and manage applications. Microsoft's strategic investments in AI and machine learning further enhance Azure's capabilities.
- Competitive Landscape: The cloud computing market is highly competitive, with major players such as Google Cloud and IBM Cloud also vying for market share. The ongoing race for cloud dominance is driving innovation and investment in new technologies.
- M&A Opportunities: Companies in the cloud computing space may seek acquisitions to bolster their service offerings or expand into new markets. For example, acquiring niche cloud service providers could enhance capabilities and attract new customers.

## Cybersecurity

- Trend Explanation: As digital transformation accelerates, the demand for cybersecurity solutions is growing. The global cybersecurity market is expected to reach \$345.4 billion by 2026, growing at a CAGR of 10.9%. This growth is driven by increasing cyber threats and regulatory requirements for data

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## 6. Recommended Readings

### Deal Name: Photonic AI Manufacturing City Development

- Reading Material: "The Future of Semiconductor Manufacturing" by John D. Cressler
- Why This Matters: This book explores the advancements and trends in semiconductor manufacturing, which are critical for understanding the strategic implications of the \$20 billion investment in the photonic AI manufacturing city. It provides insights into the technological innovations and economic impacts of semiconductor hubs, helping to contextualize the potential benefits and challenges of this ambitious project.

### Deal Name: Arm China R&D Center Establishment

- Reading Material: "The Rise of AI: Opportunities and Challenges" by Raj Reddy
- Why This Matters: This reading examines the implications of AI development and investment in research and development, which is directly relevant to Arm China's establishment of an R&D center in Hong Kong. It highlights the competitive landscape of AI technologies and the importance of innovation in maintaining market leadership, providing a framework to understand Arm's strategic expansion in the region.

## 7. MACROECONOMIC UPDATE

### Key Data Points:

- Projected U.S. GDP Growth for 2026: Resilient
- Expected Inflation Rate: Moderating
- Anticipated U.S. Investment Grade Credit Supply: ~\$1 trillion
- Unemployment Rate: Rising but expected to reverse

### Main Insights:

- Morgan Stanley anticipates a resilient global growth backdrop in 2026, with inflation moderating and central banks gradually easing policy.
- A cautious outlook on oil prices is expected to help lower inflation.
- Rental markets are currently soft, contributing to lower shelter inflation.
- Corporates are expected to increase spending, particularly in AI and capital investments, signaling a

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return of "animal spirits."

- A gradual approach to rate cuts by the Fed could be beneficial for credit markets.

### **Market Commentary:**

- "Lower oil prices should help bring inflation down." - Andrew Sheets, Morgan Stanley
- "Periods where the Fed is cutting more gradually tend to be more consistent with policy in the right place." - Andrew Sheets, Morgan Stanley
- "We see roughly a trillion dollars of net supply in U.S. investment grade." - Andrew Sheets, Morgan Stanley

### **TMT Sector Relevance:**

- The anticipated increase in corporate spending on AI and technology could drive demand for TMT services and products.
- A gradual easing of monetary policy may support investment in technology infrastructure and innovation.
- The potential divergence between equity and credit markets may lead to increased M&A activity in the TMT sector as companies seek to capitalize on favorable conditions.

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