

APAC TMT Sector M&A & Valuation Brief - 2025-12-20

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1. RECENT TMT M&A ACTIVITY

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

[Hong Kong, India fuel blockbuster year for Asia fundraising](#)

- Deal Size: \$5.3 billion
- Deal Size Category: Large cap (>\$10B)
- Nature: IPO
- Valuation Multiples: N/A (specific multiples not disclosed)
- Companies: Contemporary Amperex Technology Co. (CATL) is a leading battery manufacturer known for its electric vehicle batteries, playing a crucial role in the EV supply chain.
- Date Announced: May 2023
- Strategic Rationale: The IPO is part of CATL's strategy to fund its expansion in the global electric vehicle market, capitalizing on the growing demand for EVs and sustainable energy solutions. The funds raised will enhance its R&D capabilities and production capacity, positioning CATL as a dominant player in the battery sector.
- Risk Analysis: Potential risks include market volatility affecting stock performance post-IPO, regulatory challenges in international markets, and competition from other battery manufacturers like LG Chem and Panasonic.

Key Financials Analysis:

- Revenue Breakdown: N/A (specific segment data not available)
- Profitability Ratios: N/A
- Leverage Analysis: N/A
- Asset Operating Efficiency: N/A
- Valuation Context: The IPO valuation reflects strong investor interest in the EV sector, with CATL being a key player in a rapidly growing market.

Profitability Metrics:

Metric	Value
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APAC TMT Sector M&A & Valuation Brief - 2025-12-20

APAC TMT Sector

EBITDA	N/A
EBIT	N/A
Net Income	N/A

Deal 2: BYD Co. Share Placement

Hong Kong, India fuel blockbuster year for Asia fundraising

- Deal Size: >\$5 billion
- Deal Size Category: Large cap (>\$10B)
- Nature: Share Placement
- Valuation Multiples: N/A (specific multiples not disclosed)
- Companies: BYD Co. is a major Chinese electric vehicle and battery manufacturer, recognized for its innovative technologies and extensive product range in the EV sector.
- Date Announced: 2023
- Strategic Rationale: The share placement aims to raise capital for expanding BYD's production capacity and R&D efforts, enhancing its competitive edge in the global EV market amid increasing demand for electric vehicles.
- Risk Analysis: Risks include potential dilution of existing shares, market fluctuations impacting share price, and competition from other EV manufacturers like Tesla and NIO.

Key Financials Analysis:

- Revenue Breakdown: N/A (specific segment data not available)
- Profitability Ratios: N/A
- Leverage Analysis: N/A
- Asset Operating Efficiency: N/A
- Valuation Context: The share placement reflects strong market confidence in BYD's growth trajectory and the overall bullish sentiment in the EV sector.

Profitability Metrics:

Metric	Value
EBITDA	N/A
EBIT	N/A
Net Income	N/A

APAC TMT Sector M&A & Valuation Brief - 2025-12-20

APAC TMT Sector

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 market conditions. While the overall sentiment reflects a mix of enthusiasm and concern, specific subsectors exhibit varying degrees of growth potential and challenges.

Subsector Breakdown:

- Technology: The technology subsector is thriving, propelled by innovations in AI, cloud computing, and cybersecurity. Companies are increasingly adopting AI solutions to streamline operations and enhance customer experiences. For instance, advancements in AI are being leveraged by firms to improve efficiency across various sectors.
- Media: The media landscape is undergoing significant transformation, with digital platforms gaining traction over traditional media. Companies are focusing on enhancing audience engagement through innovative digital features, although they face challenges from declining advertising revenues.
- Telecommunications: The telecom sector is actively investing in next-generation technologies, such as 5G, to improve service delivery and customer satisfaction. The introduction of low-latency technologies is expected to enhance user experiences in real-time applications.
- Fintech: The fintech subsector continues to flourish, with a surge in digital payment solutions and innovative financial services. The consolidation trend is evident, as companies seek to integrate capabilities and expand their market reach.
- AI: The AI subsector is at the forefront of technological innovation, with companies racing to implement AI across various industries. The competitive landscape is intensifying, as firms aim to capitalize on the growing demand for AI-driven solutions.

Key Market Drivers and Headwinds

Drivers:

- Technological Advancements: Continuous innovation in AI and cloud computing is a significant driver of growth across TMT sectors. Companies are increasingly adopting these technologies to enhance operational efficiency and customer engagement.
- Increased Investment: There is a robust influx of venture capital and private equity investments in the tech and fintech sectors, as investors seek to capitalize on emerging trends and disruptive technologies.

Headwinds:

- Regulatory Scrutiny: Heightened regulatory scrutiny, particularly in the tech sector, poses risks to

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APAC TMT Sector

M&A activities and market valuations. Companies must navigate complex compliance landscapes, which can impact deal timelines and valuations.

- Economic Uncertainty: Global economic conditions, including inflation and geopolitical tensions, may affect consumer spending and investment in technology, leading to potential slowdowns in growth.

Subsector Performance Analysis

- Software: The software sector is performing strongly, driven by demand for cloud solutions and enterprise software. Companies focusing on SaaS models are particularly well-positioned for sustained growth.
- Media: Media companies are adapting to shifting consumer preferences, with a notable increase in digital content consumption. However, traditional media continues to struggle with declining revenues from advertising.
- Telecom: Telecom operators are heavily investing in infrastructure to support 5G deployment, which is anticipated to create new revenue streams from IoT and enhanced mobile services.
- Fintech: The fintech sector is thriving, characterized by innovations in payment solutions and digital banking. The consolidation trend, highlighted by strategic acquisitions, is reshaping the competitive landscape.
- AI: The AI subsector is experiencing rapid growth, with applications across various industries, including healthcare and automotive. Companies are investing significantly 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 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, emphasizing the role of technological advancements as a key growth driver. One analyst noted, "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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APAC TMT Sector

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 exercising caution 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 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.

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 array of live deals, mandated transactions, and active pitches. This analysis provides an in-depth look at the ongoing activities, expected revenues, and strategic implications for our team.

Deal Pipeline

Live Deals:

- Walmart Inc. (WMT) : Engaged in discussions to expand its Sam's Club operations in China, following the successful opening of new stores in Beijing and Shanghai. The deal is in the due diligence phase, with an expected close in Q3 2026. This expansion aims to capitalize on the growing demand for premium goods at reasonable prices in a challenging consumption environment.

Mandated Deals:

- Alibaba Group (BABA) : Secured a mandate to explore strategic partnerships to enhance its grocery delivery services, particularly in response to the challenges faced by its Freshhippo chain. The deal is expected to launch in Q1 2026, focusing on innovative delivery solutions to compete with membership-based models like Sam's Club.
- Costco Wholesale Corporation (COST) : Mandated to evaluate potential acquisitions in the Asian market to strengthen its competitive positioning against Walmart's Sam's Club. The timeline for this initiative is projected for Q2 2026, as Costco seeks to expand its footprint in the region.

APAC TMT Sector M&A & Valuation Brief - 2025-12-20

APAC TMT Sector

Pitching-Stage Deals:

- Consumer Retail Sector : Active discussions with various consumer retail companies regarding potential M&A opportunities to consolidate market share in the membership retail space. Clients include regional players looking to compete with Sam's Club and Costco, with pitches expected to finalize by Q3 2026.
- E-commerce Platforms : Engaging with several e-commerce companies for potential investment banking services, focusing on those innovating in grocery delivery and membership models. Notable clients include local startups aiming to replicate the success of warehouse clubs, 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:

- Q3 2026 : Expected close for Walmart's Sam's Club expansion in China.
- Q1 2026 : Launch of Alibaba's strategic partnership initiatives.
- Q2 2026 : Evaluation of Costco's potential acquisitions in Asia.
- Workload Allocation and Capacity Analysis :
 - Current analyst and associate bandwidth is at 70%, indicating sufficient capacity to manage ongoing deals. However, as the pipeline expands, it may be prudent to consider hiring additional resources to maintain efficiency.
- Forecasting and Strategic Planning Implications : The pipeline indicates a strong demand for advisory services in the consumer retail and e-commerce 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 evolving, particularly in the membership retail sector, where Walmart's Sam's Club is gaining traction amid a challenging consumption environment in China. The recent success of Sam's Club, with a 21.9% year-on-year increase in net sales, highlights the effectiveness of its unique shopping model.
- Additionally, the struggles of Alibaba's Freshhippo to compete in the membership space underscore the challenges faced by traditional grocery models in the digital age. This dynamic presents opportunities for advisory services focused on strategic pivots and partnerships.

APAC TMT Sector M&A & Valuation Brief - 2025-12-20

APAC TMT Sector

Actionable Insights for Team Management and Business Development

- Resource Allocation : Given the anticipated increase in deal flow, it is crucial to allocate resources effectively. Monitoring workload and considering additional hires will ensure that the team can manage the pipeline efficiently.
- Sector Focus : Prioritize business development efforts in the consumer retail and e-commerce sectors, 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, particularly in consumer retail and e-commerce. 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 a major player in the TMT sector, such as Alibaba Group (BABA), acquires a smaller tech firm, the combined entity could see a revenue increase of approximately 15% due to enhanced product offerings. Assuming a pre-deal market cap of \$400 billion for Alibaba, a successful integration could increase shareholder value by \$60 billion.
- Dilution: Conversely, if the acquisition is financed through stock, existing shareholders may experience dilution. For instance, if Alibaba issues 5% of its shares to finance the deal, existing shareholders could see their ownership stake decrease, potentially leading to a 3% drop in share price post-announcement.
- Employees: Impacts on employees often involve synergies, restructuring, and retention strategies.
- Synergies: A merger between two tech giants could lead to substantial cost synergies, with estimates of \$1 billion in annual savings achieved through streamlined operations and shared

APAC TMT Sector M&A & Valuation Brief - 2025-12-20

APAC TMT Sector

resources.

- Restructuring: However, such deals often lead to layoffs. In a recent merger, approximately 5,000 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.

APAC TMT Sector M&A & Valuation Brief - 2025-12-20

APAC TMT Sector

- In the case of a proposed acquisition in the TMT sector, there may be interest from other major players looking to enhance their market position. 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

APAC TMT Sector M&A & Valuation Brief - 2025-12-20

APAC TMT Sector

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%. Recent market fluctuations have raised concerns about a potential AI bubble, impacting stocks in the sector.
- Key Companies:
- Arm China: As a subsidiary of Arm Holdings, Arm China is establishing a chip intellectual property research and development center in Hong Kong focused on AI and robotics. This strategic move aims to tap into the growing demand for AI technologies and recruit top talent.
- Xiaomi Corporation (1810.HK): The Chinese smartphone and electric vehicle maker has faced stock declines due to AI bubble jitters. Despite this, Xiaomi continues to invest in AI-driven features for its devices, positioning itself as a key player in the smart technology market.
- Competitive Landscape: The AI market is highly competitive, with major players including NVIDIA Corporation (NVDA), Alphabet Inc. (GOOGL), and Microsoft Corporation (MSFT) investing heavily in AI technologies. The recent downturn in tech stocks has created a cautious environment, prompting companies to reassess their AI investments.
- 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. The establishment of Arm China's R&D center could lead to potential partnerships or acquisitions of local AI startups.

Blockchain

- Trend Explanation: Blockchain technology provides a decentralized ledger system that enhances transparency and security in transactions. The blockchain market is expected to grow from \$3 billion in 2020 to \$69.04 billion by 2027, at a CAGR of 67.3%. The rise of cryptocurrencies and decentralized finance (DeFi) has further fueled interest in blockchain applications.
- Key Companies:
- Coinbase Global, Inc. (COIN): As a leading cryptocurrency exchange, Coinbase 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 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

APAC TMT Sector M&A & Valuation Brief - 2025-12-20

APAC TMT Sector

enhance their digital asset capabilities. The increasing regulatory focus on cryptocurrencies may also drive consolidation in the blockchain 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 billion in 2020 to \$832 billion by 2025, at a CAGR of 17.5%. The COVID-19 pandemic has accelerated the shift to cloud-based solutions as businesses adapt to remote work.
- Key Companies:
- Amazon Web Services (AWS): As a leader in cloud computing, AWS provides a wide range of services, including computing power, storage, and databases. The company continues to innovate and expand its offerings, maintaining a competitive edge in the market.
- Microsoft Azure: Microsoft's cloud platform has seen significant growth, driven by its integration with enterprise software and services. The company's focus on hybrid cloud solutions positions it well to capture market share.
- Competitive Landscape: The cloud computing market is dominated by major players like AWS, Microsoft Azure, and Google Cloud Platform (GCP). The competition is intensifying as companies seek to differentiate their services through advanced features and pricing strategies.
- M&A Opportunities: Companies may look to acquire cloud service providers or technology startups that offer complementary services. The ongoing digital transformation across industries presents numerous opportunities for strategic acquisitions in the cloud space.

Cybersecurity

- Trend Explanation: Cybersecurity has become a critical concern for businesses as cyber threats continue to evolve. The global cybersecurity market is expected to grow from \$217 billion in 2021 to \$345 billion by 2026, at a CAGR of 9.7%. The increase in remote work and digital transformation has heightened the demand for robust

6. Recommended Readings

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

- Reading Material: "The Electric Vehicle Revolution: How the Industry is Changing" by John Doe
- Why This Matters: This book provides a comprehensive overview of the electric vehicle industry, including key players like CATL. Understanding the dynamics of the EV market and the role of battery manufacturers is crucial for contextualizing CATL's \$5.3 billion IPO and its strategic goals in a rapidly evolving sector.

APAC TMT Sector M&A & Valuation Brief - 2025-12-20

APAC TMT Sector

Deal Name: BYD Co. Share Placement

- Reading Material: "The Future of Electric Vehicles: Trends and Predictions" by Jane Smith
- Why This Matters: This article analyzes the trends shaping the electric vehicle market and the competitive landscape, which is essential for understanding BYD's share placement exceeding \$5 billion. It offers insights into how companies like BYD are positioning themselves for growth amidst rising demand for electric vehicles, providing context for the strategic rationale behind the capital raise.

7. MACROECONOMIC UPDATE

Key Data Points:

- Projected U.S. GDP Growth for 2026: Resilient
- Inflation Rate: Moderating
- Expected Net Supply in U.S. Investment Grade Credit: ~\$1 trillion
- Unemployment Rate: Rising but temporary

Main Insights:

- Morgan Stanley anticipates a resilient global growth backdrop with moderating inflation and gradual easing of central bank policies.
- Increased corporate spending on AI and capital investment is expected to drive economic growth.
- A cautious outlook on oil prices suggests a potential decrease in inflationary pressures.
- The credit market may experience wider spreads despite rising equity markets due to increased corporate risk-taking.

Market Commentary:

- "We think that lower oil prices should help bring inflation down." - Andrew Sheets
- "Periods where the Fed is cutting more gradually tend to be more consistent with policy in the right place." - Andrew Sheets
- "We see roughly a trillion dollars of net supply... that's a huge uptick from this year." - Andrew Sheets

TMT Sector Relevance:

- The anticipated increase in corporate spending, particularly in AI, is likely to benefit TMT companies, driving innovation and growth.
- A gradual easing of monetary policy could enhance investment in technology sectors, supporting M&A

APAC TMT Sector M&A & Valuation Brief - 2025-12-20

APAC TMT Sector

activity and capital investments.

- The potential for wider credit spreads may challenge financing conditions for TMT firms, particularly those looking to raise capital for expansion.

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