

# APAC TMT Sector M&A & Valuation Brief - 2025-12-28

APAC TMT Sector

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## 1. RECENT TMT M&A ACTIVITY

### Deal 1: Shanghai Commercial Bank and HashKey Exchange Partnership

#### Old lender, new twist: Shanghai Commercial Bank teams up with HashKey on credit card

- Deal Size: HK\$1.6 billion (US\$206 million) investment over five years
- Deal Size Category: Mid cap (\$2B-\$10B)
- Nature of Deal: Strategic partnership
- Valuation Multiples: N/A
- Companies: Shanghai Commercial Bank (SCB) is one of Hong Kong's oldest banks, primarily serving wealthy families and mainland Chinese companies. HashKey Exchange is a licensed virtual asset trading platform in Hong Kong that recently went public.
- Date Announced: December 17, 2023
- Strategic Rationale: The partnership aims to bridge traditional finance with digital assets, enhancing SCB's digital transformation strategy. By launching a co-branded credit card for digital asset investors, SCB seeks to remain competitive amidst evolving banking landscapes and increasing digital finance adoption.
- Risk Analysis:
  - Integration Risks: Merging traditional banking with digital finance may face operational challenges.
  - Regulatory Challenges: Compliance with evolving regulations in the digital asset space could pose risks.
  - Market Risks: The volatility of digital assets may affect the adoption of the credit card.
  - Execution Risks: Successful implementation of the digital transformation strategy is crucial for long-term success.

### Key Financials Analysis:

- Revenue Breakdown: N/A
- Profitability Ratios: N/A
- Leverage Analysis: N/A
- Asset Operating Efficiency: N/A

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- Valuation Context: N/A

**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 characterized by cautious optimism, driven by evolving market dynamics and macroeconomic factors. Overall sentiment in the sector reflects a blend of growth potential and challenges, influenced by regulatory scrutiny, technological advancements, and shifting consumer behaviors.

### Subsector Breakdown:

- Technology: The technology subsector remains resilient, bolstered by advancements in AI and cloud computing. For instance, Chinese chipmakers are increasingly entering the IPO market to secure funding for technological self-reliance, indicating robust growth prospects in this area.
- Media: The media landscape is undergoing significant transformation as companies adapt to digital consumption trends. While traditional media faces challenges, innovative digital platforms are gaining traction, enhancing audience engagement.
- Telecommunications: The telecom sector is focused on enhancing infrastructure to support 5G deployment. Companies are investing heavily in low-latency technologies, which are essential for real-time applications, thus driving new revenue streams.
- Fintech: The fintech sector is thriving, with a surge in digital payment solutions and innovative banking models. Recent acquisitions, such as Clearwater Analytics Holdings Inc. valued at \$8.4 billion, highlight the consolidation trend in this space.
- AI: The AI subsector is experiencing explosive growth, with applications spanning various industries. Companies are racing to implement AI solutions, reflecting a competitive landscape where innovation is key.

### Key Market Drivers and Headwinds

#### Drivers:

- Technological Advancements: Continuous innovation in AI, 5G, and cloud computing is propelling growth across TMT sectors. The push for technological self-reliance in China underscores the urgency for advancements in AI and semiconductor technologies.
- Increased Investment: Private equity firms are actively investing in TMT companies, as evidenced by the acquisition of Clearwater Analytics. This trend indicates strong investor confidence in the sector's growth potential.

#### Headwinds:

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- Regulatory Scrutiny: Increased regulatory oversight, particularly in the tech sector, poses risks to M&A activities and market valuations. Companies are navigating complex compliance landscapes, which can hinder growth.
- Economic Uncertainty: Global economic conditions, including inflation and geopolitical tensions, may impact consumer spending and investment in technology. The anticipated monetary easing in China reflects concerns about economic slowdown, which could affect market sentiment.

### Subsector Performance Analysis

- Software: The software sector is thriving, driven by demand for cloud solutions and enterprise software. Companies focusing on SaaS models are particularly well-positioned for growth, as businesses increasingly adopt digital tools.
- Media: Media companies are adapting to changing consumer preferences, with a notable shift towards digital content consumption. However, traditional media continues to face declining revenues from advertising.
- Telecom: Telecom operators are heavily investing in infrastructure to support 5G deployment, which is expected to create new revenue opportunities from IoT and enhanced mobile services.
- Fintech: The fintech sector is flourishing, with innovations in payment solutions and digital banking. The acquisition of Clearwater Analytics highlights the consolidation trend in this space, suggesting a robust competitive environment.
- AI: The AI subsector is booming, 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 Q4 2023, the average EV/EBITDA multiple for the TMT sector is approximately 16.2x, with notable variations across subsectors:

- Software: 21.5x
- Media: 11.5x
- Telecom: 10.2x
- Fintech: 19.0x
- AI: 24.0x

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 cautious optimism about the TMT sector's long-term prospects, emphasizing the importance of technological advancements. An analyst at Citigroup stated, "The integration of AI across industries is not just a trend; it's a fundamental shift that will redefine business models and consumer

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interactions."

## 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.

#### 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

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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

- 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.

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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: Digital Finance, Artificial Intelligence (AI), and Cybersecurity. Each section will provide a detailed explanation of the trend, its market significance, key players, competitive dynamics, and potential M&A

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opportunities.

### Digital Finance

- Trend Explanation: Digital finance refers to the integration of digital technology into financial services, enabling more efficient transactions, improved customer experiences, and broader access to financial products. The digital finance market is expected to grow significantly, driven by increasing consumer demand for online services and the rise of fintech solutions.
- Key Companies:
- Shanghai Commercial Bank (SCB): SCB is enhancing its digital finance capabilities by partnering with HashKey Exchange to launch a co-branded credit card for digital asset investors. This initiative marks a significant step in bridging traditional banking with digital finance, aligning with SCB's broader digital transformation strategy.
- HashKey Exchange: As a licensed virtual asset trading platform, HashKey is positioned to capitalize on the growing interest in digital assets. The partnership with SCB will allow HashKey to offer innovative financial products, enhancing its market presence.
- Competitive Landscape: The digital finance space is becoming increasingly competitive, with traditional banks like HSBC and Bank of China (Hong Kong) investing heavily in digital transformation. The collaboration between SCB and HashKey sets a precedent for partnerships between traditional lenders and fintech firms, potentially reshaping the market.
- M&A Opportunities: As traditional banks seek to enhance their digital offerings, there may be opportunities for acquisitions of fintech startups specializing in digital payments, blockchain technology, and asset management solutions. The trend towards collaboration between banks and fintechs suggests a growing appetite for strategic partnerships and acquisitions.

### Artificial Intelligence (AI)

- Trend Explanation: AI encompasses technologies that enable machines to perform tasks that typically require human intelligence. 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%. This growth is driven by advancements in machine learning, natural language processing, and computer vision.
- 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.
- OpenAI: OpenAI is at the forefront of generative AI, known for its language model, ChatGPT. The company has formed partnerships with Microsoft (MSFT) to integrate AI capabilities into its products, enhancing productivity tools like Microsoft 365.
- 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 race for AI supremacy is driving innovation and pushing companies to acquire startups with unique AI

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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.

### Cybersecurity

- Trend Explanation: Cybersecurity is increasingly critical as organizations face growing threats from cyberattacks. The global cybersecurity market is projected to grow from \$217 billion in 2021 to \$345 billion by 2026, at a CAGR of 9.7%. This growth is driven by the increasing frequency and sophistication of cyber threats.
- Key Companies:
  - CrowdStrike Holdings, Inc. (CRWD): CrowdStrike specializes in cloud-delivered endpoint protection, leveraging AI to detect and respond to threats in real-time. The company's innovative approach positions it as a leader in the cybersecurity space.
  - Palo Alto Networks, Inc. (PANW): Palo Alto Networks provides a comprehensive suite of cybersecurity solutions, including advanced firewalls and cloud security. The company has been actively acquiring firms to enhance its capabilities and market reach.
  - Competitive Landscape: The cybersecurity market is characterized by a diverse range of players, from established firms like Cisco Systems, Inc. (CSCO) to emerging startups. The increasing complexity of cyber threats is driving demand for advanced security solutions, leading to heightened competition.
- M&A Opportunities: As the demand for cybersecurity solutions grows, there are significant opportunities for M&A activity. Companies may seek to acquire cybersecurity startups that offer innovative technologies, such as threat intelligence and incident response solutions. Recent acquisitions, such as Palo Alto Networks' purchase of Demisto, illustrate this trend.

### Actionable Insights for Bankers and Investors

**Focus on identifying fintech and**

### 6. Recommended Readings

**Deal Name: Shanghai Commercial Bank and HashKey Exchange Partnership**

- Reading Material: "Digital Banking: A Guide to Digital Transformation" by Chris Skinner
- Why This Matters: This book provides an overview of how traditional banks can successfully integrate digital technologies into their operations. It is particularly relevant for understanding the strategic partnership between Shanghai Commercial Bank (SCB) and HashKey Exchange, as it discusses the challenges and opportunities in merging traditional banking with digital asset

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services, helping to contextualize SCB's move to innovate in the digital finance space.

## 7. MACROECONOMIC UPDATE

### Key Data Points:

- Global equities rally: +35% from April lows
- U.S. high-grade fixed income returns: 5% over the last 12 months
- Projected annualized return for global equities: ~7% over the next decade
- Projected annualized return for S&P 500: 6.8%
- Projected return for European and Japanese equities: ~8%
- Projected return for emerging markets: ~4%
- Projected return for U.S. Treasuries (10-year maturity): ~5%
- Projected return for German Bunds: ~4%
- Projected return for Japanese government bonds: ~2%
- U.S. equity risk premium: 2%
- Emerging markets equity risk premium: -1%

### Main Insights:

- Long-run expected returns for equities are lower than in previous decades.
- Fixed income remains attractive due to higher yields, despite lower returns than historical averages.
- The risk premium for equities has compressed significantly, indicating lower compensation for risk.
- Valuations are rich, particularly in the U.S., but improved company profitability justifies some of the high valuations.
- The classic 60/40 portfolio strategy is expected to yield around 6% annual returns over the next decade, lower than the historical average of 9%.

### Market Commentary:

- "The extra return you get for taking on risk has compressed across the board." - Serena Tang, Morgan Stanley
- "The optimal mix of stocks and bonds is not static and should be revisited as market dynamics evolve." - Serena Tang, Morgan Stanley

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## **TMT Sector Relevance:**

- The anticipated lower returns could impact investment in TMT sectors, as investors may seek higher growth opportunities in technology and media.
- The evolving dynamics of the 60/40 portfolio may lead to increased allocations in tech stocks, driven by advancements in AI and digital transformation.
- A compressed risk premium may encourage TMT investors to reassess their risk tolerance and portfolio strategies in light of changing market conditions.

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