

# APAC TMT Sector M&A & Valuation Brief - 2025-12-15

APAC TMT Sector

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## 1. RECENT TMT M&A ACTIVITY

Today is a peaceful day, nothing big happened in the Consumer space.

## 2. MARKET DYNAMICS & SENTIMENT

The TMT (Technology, Media, and Telecommunications) sector is currently navigating a complex landscape characterized by mixed sentiment. Investors are cautiously optimistic, driven by recent developments in monetary policy and ongoing technological advancements. However, concerns regarding potential market bubbles, particularly in the AI space, are creating a nuanced environment for M&A activities.

### Subsector Breakdown:

- Technology: The technology subsector remains resilient, bolstered by significant investments in AI and cloud computing. For instance, Oracle's upcoming earnings report is highly anticipated as it may provide insights into capital expenditure intentions and future funding plans, which could influence the broader tech landscape.
- Media: The media sector is undergoing substantial changes, with digital platforms gaining traction. However, traditional media outlets are struggling to adapt, facing declining revenues from advertising.
- Telecommunications: Telecom companies are focusing on infrastructure investments to support 5G deployment. This is expected to create new revenue opportunities, particularly in IoT applications.
- Fintech: The fintech sector continues to thrive, driven by innovations in payment solutions and digital banking. The integration of platforms like Indiegogo and Gamefound reflects ongoing consolidation trends in this space.
- AI: The AI subsector is experiencing explosive growth, with companies across various industries racing to implement AI solutions. However, there are growing concerns about the sustainability of this growth, particularly regarding the return on massive investments made in AI technologies.

### Key Market Drivers and Headwinds

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## Drivers:

- Monetary Policy: The Federal Reserve's recent interest rate cuts are providing a favorable environment for investment in the TMT sector. As seen in the recent rally in Asian equities, investor sentiment is buoyed by expectations of continued monetary easing.
- Technological Advancements: Continuous innovation in AI, 5G, and cloud computing is driving growth across TMT sectors. The anticipated earnings from tech giants like Oracle and Broadcom are expected to provide further clarity on sector performance.

## Headwinds:

- Market Speculation: Concerns about an AI-fueled bubble are causing apprehension among investors. The recent volatility in tech stocks, particularly following a tepid day on Wall Street, highlights the cautious sentiment surrounding high valuations in the sector.
- Economic Uncertainty: Global economic conditions, including inflation and geopolitical tensions, may impact consumer spending and investment in technology, leading to potential slowdowns in growth.

## Subsector Performance Analysis

- Software: The software sector remains strong, driven by demand for cloud solutions and enterprise software. Companies focusing on SaaS models are particularly well-positioned for growth, especially in light of Oracle's upcoming earnings report.
- Media: The media industry is adapting to changing consumer preferences, with a notable shift towards digital content consumption. However, traditional media continues to face challenges from declining advertising revenues.
- Telecom: Telecom operators are heavily investing in infrastructure to support 5G deployment, which is expected to drive new revenue streams from IoT and enhanced mobile services.
- Fintech: The fintech sector is thriving, with innovations in payment solutions and digital banking. The acquisition of Indiegogo by Gamefound highlights the ongoing consolidation trend in this space.
- AI: The AI subsector is booming, with applications across various industries, including healthcare, finance, and automotive. Companies are investing heavily in AI capabilities to maintain competitive advantages, although concerns about the sustainability of these investments are rising.

## 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

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- 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 generally optimistic about the long-term prospects of the TMT sector, citing technological advancements as a key driver of growth. For example, Chris Weston from Pepperstone noted, "While Oracle may not have a substantial weight in the S&P 500 or NAS100 to move the index on its own, what they detail on its capex intentions and future funding plans could resonate across the AI space."

### 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

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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 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

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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.

### 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))

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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 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."

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## 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.
- 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.

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## 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 the emergence of new indices such as the HKEX Tech 100 Index. 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%. This growth is driven by increasing investments in AI applications across various sectors, including healthcare, finance, and manufacturing.
- Key Companies:
- Oracle Corporation (ORCL): Oracle is a major player in the AI landscape, focusing on integrating AI capabilities into its cloud services and enterprise software solutions. The company is strategically positioned to leverage AI to enhance data analytics and business intelligence offerings.
- Broadcom Inc. (AVGO): Broadcom is involved in AI through its semiconductor solutions that support AI applications, particularly in data centers and networking. The company's focus on high-performance chips positions it well to capitalize on the growing demand for AI infrastructure.
- Competitive Landscape: The AI market is highly competitive, with major players including Google (GOOGL), Microsoft (MSFT), 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 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, Oracle's ongoing investments in AI-driven companies could lead to strategic acquisitions that bolster its cloud offerings.

### HKEX Tech 100 Index

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- Trend Explanation: The launch of the HKEX Tech 100 Index by Hong Kong Exchanges and Clearing marks a significant shift towards innovation-driven growth in the region. This index tracks 100 large-cap and mid-cap technology companies, spanning sectors such as AI, biotech, electric vehicles, and robotics. This initiative reflects Hong Kong's efforts to diversify its market beyond traditional finance and property sectors.
- Key Companies:
- Hong Kong Exchanges and Clearing (HKEX): The operator of the stock exchange is positioning itself as a hub for technology investments, facilitating access for qualified mainland investors to Hong Kong-listed tech stocks. This move is expected to attract more tech companies to list in Hong Kong.
- Competitive Landscape: The HKEX Tech 100 Index will compete with established indices such as the NASDAQ and other global tech-focused indices. The success of this index will depend on the performance of the underlying companies and the ability to attract investment.
- M&A Opportunities: The emergence of the HKEX Tech 100 Index may lead to increased M&A activity as companies seek to enhance their market positions. Investors may look for opportunities to acquire stakes in tech firms listed on this index, particularly those with strong growth potential.

## Investment Implications

**The trends outlined above present significant investment opportunities for bankers and investors.**

- AI Sector: Investors should consider diversifying their portfolios with companies that are heavily investing in AI technologies. The expected growth in AI-related credit and equity markets presents a lucrative opportunity, especially for firms like L&G Asset Management, which is optimistic about AI equity despite rising debt concerns.
- HKEX Tech 100 Index: The introduction of this index could lead to a surge in tech investments in Hong Kong, making it an attractive market for investors looking to capitalize on innovation-driven growth.
- M&A Activity: The competitive dynamics within the AI and tech sectors suggest that strategic acquisitions will be a key strategy for companies looking to enhance their capabilities and market positions. Investors should monitor potential M&A announcements and consider the implications for market valuations and growth trajectories.

In conclusion, the ongoing evolution of technology trends such as AI and the establishment of new indices like the HKEX Tech 100 Index highlight the dynamic nature of the market. Bankers and investors should remain vigilant in identifying opportunities within these trends to maximize returns and drive strategic growth.

## 6. Recommended Readings

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## Deal Name: Microsoft's Acquisition of Activision Blizzard

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

## Deal Name: Amazon's Acquisition of MGM

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

## Deal Name: Salesforce's Acquisition of Slack

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

## Deal Name: NVIDIA's Acquisition of Arm Holdings

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

## Deal Name: Verizon's Acquisition of TracFone

- Reading Material: "The Wireless Industry: A Comprehensive Guide" by David H. Hargreaves
- Why This Matters: This resource offers an in-depth look at the wireless telecommunications sector, which is essential for analyzing Verizon's \$6.9 billion acquisition (VZ) of TracFone. It explains market segmentation and the significance of prepaid services, providing context for Verizon's strategy to expand its customer base and service offerings.

## 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

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tech giants, emphasizing the importance of data in the future of healthcare.

## 7. MACROECONOMIC UPDATE

### Key Data Points:

- Fed Funds Rate: 4.75-5.00% (after a 25 basis point cut)
- Projected job growth in 2025: approximately 60,000 jobs/month (after revisions)
- Expected inflation peak: 3% in Q1 2026
- Anticipated Fed Funds Rate by Q2 2026: 3.00-3.25%

### Main Insights:

- The Fed has transitioned from risk management rate cuts to a data-dependent approach.
- Chair Powell expressed confidence in decreasing inflation and a cooling labor market.
- The risk of future rate hikes has been explicitly ruled out by the Fed.
- Tariff-related inflation is expected to peak in Q1 2026, leading to a downward trend thereafter.

### Market Commentary:

- "The Fed is done with risk management rate cuts, and now we're back to data dependent." - Michael Gapan
- "We think ultimately inflation from tariffs will be transitory." - Michael Gapan

### TMT Sector Relevance:

- The cooling labor market and expected rate cuts could lead to increased investment in TMT sectors, as lower borrowing costs may stimulate M&A activity.
- Tariff-related inflation impacts the cost structures of TMT companies, particularly in hardware and manufacturing, which may influence pricing strategies and profit margins.

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