

APAC TMT Sector M&A & Valuation Brief - 2025-12-23

APAC TMT Sector

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1. RECENT TMT M&A ACTIVITY

Deal 1: Photonic AI Manufacturing City Development

US\$20bil 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 (specific multiples not disclosed)
- Companies: The project is a collaboration between the Hosein Family Office and the Gan Family Office, with a focus on establishing a large-scale photonic semiconductor manufacturing hub in Malaysia.
- Date Announced: December 16, 2025
- Strategic Rationale:
 - The initiative aims to position Malaysia as a leader in advanced semiconductor technology, particularly in photonic computing, which is expected to drive the next generation of AI and digital infrastructure.
 - The project is anticipated to create 40,000 high-paying skilled jobs and 20,000 indirect jobs, significantly impacting the local economy and workforce development.
 - It will include facilities for photonic chipset integration, AI compute system assembly, and a national AI research center, enhancing Malaysia's technological capabilities.
- Risk Analysis:
 - Integration risks may arise from the collaboration between different stakeholders, necessitating effective project management and coordination.
 - Regulatory challenges could impact timelines and operational efficiency, especially in a new technological domain.
 - Market risks include potential fluctuations in demand for photonic technologies and competition from established semiconductor hubs.

Key Financials Analysis:

- Revenue Breakdown: N/A (specific revenue data not disclosed)

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- Profitability Ratios: N/A (specific profitability metrics not disclosed)
- Leverage Analysis: N/A (debt structure not disclosed)
- Asset Operating Efficiency: N/A (operating metrics not disclosed)
- Valuation Context: The project represents a significant investment in the TMT sector, with potential long-term returns driven by the growing demand for advanced semiconductor technologies.

2. MARKET-REP TIER

Deal 2: Market Trends in Technology Stocks

Hong Kong Stocks Tread Water as Tech Giants Stumble on AI Bubble Jitters

- Deal Size: N/A (no specific transaction)
- Deal Size Category: N/A
- Nature: N/A
- Valuation Multiples: N/A
- Companies: The report discusses the performance of major technology stocks in Hong Kong, including Xiaomi (HK:1810) and Pop Mart International Group (HK:9992).
- Date Announced: December 16, 2025
- Strategic Rationale:
 - The decline in technology stocks is attributed to growing concerns over an AI bubble, reflecting investor caution in the TMT sector.
 - The Hang Seng Tech Index's drop indicates a broader market sentiment that could affect future investment in technology companies.
- Risk Analysis:
 - Market volatility poses risks to investor confidence, particularly in speculative technology stocks.
 - Regulatory scrutiny over AI technologies could impact companies' operational strategies and market valuations.

Key Financials Analysis:

- Revenue Breakdown: N/A (specific revenue data not disclosed)
- Profitability Ratios: N/A (specific profitability metrics not disclosed)
- Leverage Analysis: N/A (debt structure not disclosed)

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- Asset Operating Efficiency: N/A (operating metrics not disclosed)
- Valuation Context: The performance of tech stocks in Hong Kong reflects broader trends in the TMT sector, with implications for future M&A activity

2. MARKET DYNAMICS & SENTIMENT

The TMT (Technology, Media, and Telecommunications) sector is currently positioned for a year-end rally, driven by a mix of cautious optimism and underlying economic indicators. Market sentiment is influenced by global economic conditions, particularly in Asia, where expectations of monetary easing in China could bolster investor confidence. However, the sector faces challenges stemming from regulatory scrutiny and fluctuating economic data.

Subsector Breakdown:

- Technology: The technology subsector is buoyed by strong IPO activity among Chinese chipmakers, which reflects a strategic push for technological self-reliance and competitiveness in AI. This trend is critical as companies seek to innovate and capture market share.
- Media: The media landscape is adapting to digital transformations, with companies focusing on enhancing audience engagement through innovative platforms. However, traditional media continues to grapple with declining advertising revenues.
- Telecommunications: Telecom operators are investing in infrastructure, particularly in 5G technologies, which are expected to drive new revenue streams. The push for low-latency solutions is becoming increasingly important as demand for real-time applications grows.
- Fintech: The fintech sector remains vibrant, with private equity interest evident in recent acquisitions, such as Clearwater Analytics Holdings Inc. for \$8.4 billion. This highlights the ongoing consolidation and investment in financial technology solutions.
- AI: The AI subsector is experiencing rapid growth, with companies racing to implement AI solutions across various industries. The focus on AI is underscored by the urgency for technological advancements to maintain competitive advantages.

Key Market Drivers and Headwinds

Drivers:

- Monetary Easing Expectations: Anticipation of potential rate cuts by the People's Bank of China is driving optimism in Asian markets. Eric Zhu from Bloomberg Economics notes that a weaker economy has raised the urgency for support to prevent a sharper slowdown, hinting at more monetary easing in 2026.
- Strong IPO Activity: The rush of Chinese chipmakers to the IPO market underscores the drive for technological advancement and self-reliance, which is a significant growth driver for the TMT sector.

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Headwinds:

- Regulatory Scrutiny: Increased scrutiny, particularly in technology and media, poses risks to M&A activities and market valuations. Companies must navigate complex regulatory environments, which can hinder growth and investment.
- Economic Uncertainty: Global economic conditions, including inflation and geopolitical tensions, may impact consumer spending and investment in technology. Recent data from the US and UK indicates mixed growth, contributing to market volatility.

Subsector Performance Analysis

- Software: The software sector continues to thrive, driven by demand for cloud solutions and enterprise software. Companies adopting SaaS models are particularly well-positioned for growth.
- Media: Media companies are increasingly focusing on digital content consumption, adapting to changing consumer preferences. However, traditional media faces challenges with declining revenues.
- Telecom: Telecom operators are heavily investing in 5G infrastructure, which is expected to open new revenue streams from IoT and enhanced mobile services.
- Fintech: The fintech sector is robust, with innovations in payment solutions and digital banking driving growth. The acquisition of Clearwater Analytics highlights ongoing consolidation trends.
- AI: The AI subsector is booming, with applications across various industries. Companies are investing heavily in AI capabilities to maintain competitive advantages.

Trading Multiples Trends

Valuation Multiples: As of Q4 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 cautious optimism regarding the TMT sector's long-term prospects, emphasizing technological advancements as a key growth driver. A Citigroup strategist noted, "We think inflation worries voiced by some hawks on the board are overdone and overall risks in the labor market are

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clearly to the downside," highlighting the nuanced outlook for economic conditions.

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.
- 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 within the TMT sector is characterized by a mix of live deals, mandated transactions, and active pitches. This analysis provides an overview of the ongoing activities, expected revenue, and strategic implications for our team.

Deal Pipeline

Live Deals:

- Walmart Inc. (WMT) : Currently in discussions for expanding its Sam's Club operations in China, with a focus on opening new locations and enhancing e-commerce capabilities. The deal is in the due diligence phase, with an expected close in Q2 2026. This expansion aims to capitalize on the growing demand for premium goods 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 competitive pressures from warehouse clubs like Sam's Club. The deal is expected to launch in Q1 2026, focusing on improving logistics and customer engagement strategies.

Pitching-Stage Deals:

- Telecom Sector : Active discussions with various telecom operators regarding potential M&A

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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 Sector : Engaging with several retail companies for potential investment banking services, focusing on those looking to innovate their supply chain and e-commerce strategies. Notable clients include Costco Wholesale Corporation (COST) and Target Corporation (TGT), 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 Sam's Club expansion in China.
- Q1 2026 : Launch of Alibaba's strategic partnership initiatives.
- 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 market share. The success of Sam's Club in China, highlighted by a 21.9% year-on-year net sales growth, underscores the potential for growth in membership-based retail models.
- Additionally, the challenges faced by local competitors, such as Alibaba's Freshippo, which shuttered its last members-only store, indicate a consolidation trend in the retail space. This presents opportunities for strategic partnerships and acquisitions.

Actionable Insights for Team Management and Business Development

- Resource Allocation : Given the anticipated increase in deal flow, it is crucial to allocate

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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., 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 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.

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- 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.
- 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.

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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 undergoing rapid transformation, 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), 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.

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Artificial Intelligence (AI)

- Trend Explanation: AI is revolutionizing various industries by enabling machines to perform tasks that typically require human intelligence, such as understanding natural language and recognizing patterns. 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 jitters regarding an AI bubble have caused fluctuations in stock prices, particularly among tech giants.
- 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, focusing on AI chip development. The company's recent stock decline reflects broader market concerns about the sustainability of the AI boom.
- Advanced Micro Devices (AMD): AMD is also heavily involved in AI, developing processors that cater to AI workloads. The company has seen increased competition from NVIDIA but continues to innovate in the AI chip 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 pullback in AI-related stocks highlights the volatility and speculative nature of the 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, Microsoft's acquisition of Nuance Communications (NUAN) for \$19.7 billion in 2021 exemplifies this trend.

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 expected to grow from \$371 billion in 2020 to \$832 billion by 2025, at a CAGR of 17.5%. The shift to remote work and digital transformation initiatives has accelerated cloud adoption across industries.
- Key Companies:
- Amazon Web Services (AWS): AWS is a market leader in cloud services, offering a wide range of solutions for businesses. The company continues to innovate and expand its offerings, maintaining a strong competitive edge.
- Microsoft Azure (MSFT): Azure is a key player in the cloud computing space, providing a robust platform for enterprises. Microsoft's strategic investments in AI and machine learning enhance its cloud offerings, making it a formidable competitor to AWS.
- Google Cloud (GOOGL): Google Cloud is rapidly gaining market share, focusing on data analytics and machine learning capabilities. The company's investments in AI-driven cloud

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services position it well for future growth.

- Competitive Landscape: The cloud computing market is characterized by intense competition, with major players vying for market share. The ongoing battle between AWS, Azure, and Google Cloud is driving innovation and pushing companies to enhance their service offerings.
- M&A Opportunities: Companies may pursue acquisitions to bolster their cloud capabilities. For example, the acquisition of smaller cloud service providers can help larger firms expand their service portfolios and enhance their competitive positioning.

Cybersecurity

- Trend Explanation: As digital transformation accelerates, the demand for cybersecurity solutions is surging. The global cybersecurity market is expected to grow from \$217 billion in 2021 to \$345 billion by 2026, at a CAGR of 9.7%. Increasing cyber threats and regulatory requirements are driving enterprises to invest in robust cybersecurity measures.
- Key Companies:
 - CrowdStrike Holdings, Inc. (CRWD): CrowdStrike is a leader in cloud-delivered endpoint protection, leveraging AI to detect and respond to threats. The company's innovative approach has positioned it as a key player in the cybersecurity landscape.
 - Palo Alto Networks, Inc. (PANW): Palo Alto Networks offers a comprehensive suite of cybersecurity solutions, focusing on advanced threat detection and prevention. The company's strategic acquisitions have enhanced its product offerings and market position.
 - Fortinet, Inc. (FTNT): Fortinet specializes in network security solutions, providing a range of products to protect against cyber threats. The company's focus on integrated security solutions positions it well for growth in the cybersecurity market.
- Competitive Landscape: The cybersecurity market is fragmented, with numerous players offering

6. Recommended Readings

Deal Name: US\$20bil Photonic AI Manufacturing City Development

- Reading Material: "The Future of Semiconductor Manufacturing" by John D. Cressler
- Why This Matters: This book provides a comprehensive overview of semiconductor manufacturing technologies and trends, which are crucial for understanding the strategic implications of the \$20 billion investment in photonic AI manufacturing in Malaysia. It discusses the importance of advanced manufacturing capabilities in driving innovation and economic growth in the TMT sector, contextualizing the deal's potential impact on the industry.

Deal Name: Hong Kong Stocks Tread Water as Tech Giants Stumble on AI Bubble Jitters

- Reading Material: "Tech Bubble: The Future of Technology Stocks" by Michael J. Mauboussin

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- Why This Matters: This article analyzes the dynamics of technology stock valuations and the potential risks associated with speculative investments in the TMT sector. Understanding these concepts is essential for interpreting the recent performance of Hong Kong tech stocks and the broader implications for investor sentiment and M&A activity in the technology 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%
- Projected annualized return for S&P 500: 6.8%
- Projected return for European equities: ~8%
- Projected return for 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 offers relatively elevated returns due to higher yields.
- The risk premium for equities and credits has compressed significantly.
- Valuations, particularly in the U.S., are high but justified by improved company profitability and free cash flow.
- The efficient frontier for multi-asset portfolios has shifted, indicating lower potential returns for given levels of risk.
- The classic 60/40 portfolio is expected to yield around 6% annual returns over the next decade, down from the historical average of 9%.

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Market Commentary:

- "Investors aren't being paid as much for taking on risk as they used to be." - 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

TMT Sector Relevance:

- The projected lower returns for equities could lead to a cautious investment approach in the TMT sector, affecting M&A activity and valuations.
- Advances in AI may increase correlations between stocks and bonds, potentially impacting investment strategies within the TMT sector.
- The evolving optimal asset allocation could lead to increased interest in technology stocks as investors seek higher growth opportunities amidst lower overall market returns.

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