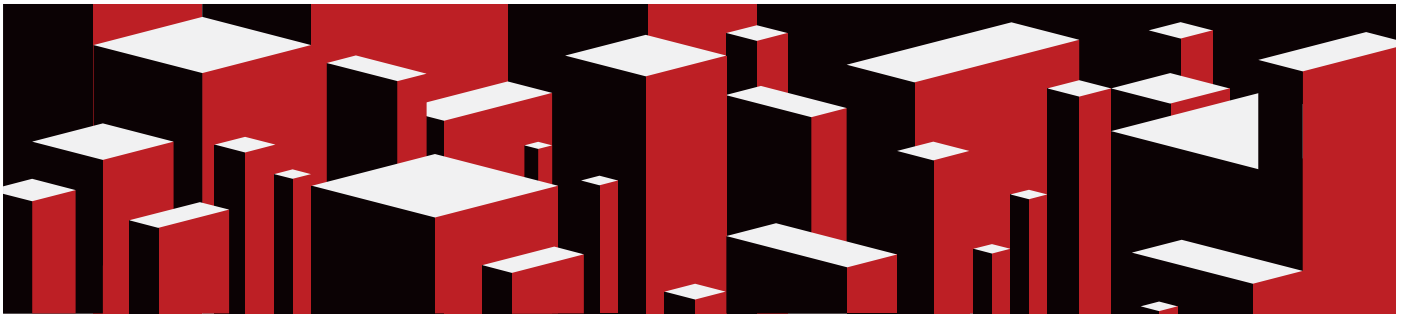Milbank

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AI: Acquiring Intelligence – APAC M&A Legal Playbook 2025

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Executive Summary:

AI M&A appears to be a bright spot swimming against the macro headwinds in Asia-Pacific. Overall APAC deal-making has slipped as economic uncertainty, higher rates, geopolitics and election calendars weigh on sentiment. Yet within that backdrop, industry trackers report that the aggregate value of APAC AI-focused tech deals grew about 5%-10% during 2024, and early-2025 valuations are edging higher even as volumes decrease. Market observers attribute this resilience to a scarcity premium driven by the limited number of truly differentiated models, proprietary datasets and specialist teams. Sustained enthusiasm for AI keeps bidding pressure and valuations elevated.

That scarcity premium, however, does not justify weak economics or underwrite risks and liabilities of acquiring an AI business. Buyers may still cite "capability premiums", yet tighter liquidity from higher interest rates, sharper regulatory scrutiny (FDI, export-control and data-localization) and rising capex requirements and increased operating costs are driving increased scrutiny on individual opportunities. In this environment, a credible monetization pathway – cost synergies, accelerated product launches or data-driven revenue – appears increasingly indispensable to defend headline multiples.

Execution risk is also climbing. National security reviews, data-localization mandates and more assertive antitrust scrutiny mean cross-border AI deals now require a disciplined evaluation of deal certainty and post-completion regulatory risks. Value preservation is equally complex because a large share of consideration hinges on retaining human talent and expanding and monetizing the acquired capability.

This Playbook surveys APAC AI M&A as of Q1 2025. Interest from financial investors and strategics (inorganic capability lift, deeper data moats, scale and pricing power) remains high, but obstacles are becoming more significant.

Key findings of this bulletin:

- **Deal landscape (Part 1).** Recent APAC AI deals suggest buyers center on (1) proven model performance as a technological and financial matter, (2) domain-specific data and (3) human talent. Buyers are using bespoke structures such as minority stakes, staged buy-outs or peer mergers, perhaps to bypass FDI hurdles and valuation gaps.

- **Assets in play (Part 2).** AI acquisitions are not just about picking up IP. Preserving value means recognizing, and conducting diligence in respect of, multiple different asset classes including: (1) models, (2) training data, (3) compute capacity, (4) human capital, (5) IP, (6) operational and governance structures, and (7) user base with its telemetry – each of which raises its own diligence and value-preservation challenges.

- **Human paradox (Part 3).** Retention risk is existential: the talent that builds, maintains and monetize the assets is itself a core asset. Accordingly, retention pools, equity roll-overs, key-person conditions and bad-leaver claw-backs belong at the heart of any value-preservation strategy.

- **AI-specific drafting (Part 4).** In our observation, AI-deal contracts increasingly feature five recurring buy-side safeguards:

    1. Seller warranties that code, models and training data have lawful, well-documented origins;

    2. Indemnities to cover the potential cost if a regulator were to order deletion of a tainted model;

    3. Comfort that no problematic open-source code is embedded in the stack, with ring-fencing provisions where doubts persist;

    4. Clearly defined timelines, break-fees and cost-sharing to navigate export control, security, localization and antitrust clearances; and

    5. Covenants requiring the seller to comply with export control laws and regulations and assist with future compliance as AI regulations evolve (*e.g.*, strict and comprehensive pre-completion document retention).

- **Regulatory outlook (Part 5).** Regulation appears to be converging on three pressure points: competition, national security and accountability. We highlight certain key frameworks, standards and regulations in this part.

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Part 1 – Deal Landscape: Notable APAC Deals & Patterns in Scope, Structure and Pricing

Closing	Buyer	Target	Value	Strategic Drivers
Dec 2024	NVIDIA (US)	**VinBrain** – healthcare-AI spin-out of Vingroup	Undisclosed	180-hospital image dataset and Vietnamese government support for two new AI R&D centres. Cross-border foothold in Southeast-Asian healthcare AI
Dec 2024	Rebellions + Sapeon (KR)	**Merger of Korean AI chip making peers**	All-share deal	Home-grown challenger to NVIDIA. Aligns SK Telecom / SK Hynix capital and funds next-generation AI accelerators
Jul 2024	Accenture (US)	**Excelmax Technologies** – Bengaluru silicon design house	Undisclosed	Adds 450 engineers and IP for edge-AI chip design. Fills capability gap for client AI roll-outs
Jul 2024	Canva (AU)	**Leonardo.ai** – generative-image platform	Undisclosed	Locks up visual AI model and millions in users to defend share against Adobe. One of Australia's first AI exits
Apr 2024	Aurionpro Solutions (IN)	**67% of Arya.ai** – banking/insurance AI PaaS	US$16.5m all-cash	Vertical fintech AI stack plus governance toolkit for "responsible, auditable" models. Accelerates go-to-market with 100+ institutional clients

Trends from the foregoing APAC deals:

1. **Capability, not earnings, appear to be driving pricing**. Buyers are willing, even eager, to secure data, models and specialist teams well before EBITDA turns positive and drives up asset valuation. For examples of this dynamic, we note (i) Canva's reported nine-figure acquisition of two-year-old Leonardo.ai and (ii) NVIDIA reportedly paying a generous premium for VinBrain.

2. **Cross-border is standard and so is FDI scrutiny**. Strategic and financial investors seem to be shopping across APAC to secure talent and localized data. Expect heightened FDI reviews wherever personal data, chip IP or cloud infrastructure is implicated.

3. **Scale and consolidation as a way to meet capex demands**. The Rebellions-Sapeon merger could be first of many regional AI firms combining to find scale in an accelerated manner and to fund runaway capex demands.

4. **Sector depth commands a premium**. Aurionpro-Arya deal may signal an acquisition playbook, whereby incumbents buy niche AI stacks that already meet sector governance requirements (finance, healthcare, etc.) to shorten compliance and learning timelines.

5. **Deal structures stay flexible**. We are observing a myriad of deal structures from cash stake-buys (Aurionpro-Arya) to full take-outs (Canva) and peer-to-peer mergers (Rebellions-Sapeon). Minority or phased structures help parties navigate valuation gaps and regulatory caps while still securing strategic control.

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Part 2 – Assets in Play: What Assets Are Really Being Bought in an AI Deal?

AI transactions rarely involve "just software." In our view, a typical 2025 deal bundles seven distinct asset classes: (i) model weights; (ii) proprietary training data; (iii) compute capacity; (iv) human capital; (v) intellectual property; (vi) operational and governance workflows (certifications, audit trails, alignment reports) and (vii) user base and other customer telemetry. Each has its own distinct diligence and value-preservation challenges. The table below sets out why buyers seem willing to pay a premium for these assets and where diligence efforts typically focus.

Asset	Why Buyers Pay	Diligence Spotlight
Models (architecture, model weights, source code and trained parameters)	Immediate performance edge that is hard to replicate in-house	✓ Verify full IP assignment chain: employees, contractors, academic co-developers ✓ Confirm export-control status of weights, including export restrictions and associated licensing requirements, and any cloud-based checkpoints ✓ Review access controls and audit logs for prior leaks
Training data & data-pipelines	Accuracy and a durable competitive moat derive from exclusive or high-quality data	✓ Chart each major data slice (customer uploads, data brokers, scraped sites, public APIs) to show clearly documented origins and ownership history ✓ Confirm licenses, terms of service and user consents permit AI training and do not bar automated scraping ✓ Test for "algorithmic-disgorgement" exposure and whether data was collected unlawfully ✓ Identify any jurisdictions that require onshore storage or processing (e.g., Vietnam Cyber-security Decree 53, India sector rules) so capex and timeline are budgeted
Compute infrastructure & chip IP (GPU clusters, ASIC designs, cloud spend commitments)	Scarce AI-grade compute is the rate-limiting factor in GenAI; hardware IP offers long-term cost edge	✓ Audit cloud contracts, capacity reservations and export-control exposure (including export restrictions and associated licensing requirements) ✓ Validate silicon roadmap and supply chain
Human capital – ML researchers, data scientists, product engineers	Talent wars are raging; companies pay up to seven-figure packages or buy entire teams outright	✓ Model retention pool, equity roll-over, non-competes ✓ Culture-fit and immigration status checks
IP portfolio & brand (patents, trade secrets, trademarks)	Formal IP plus brand equity buttress valuation and eases market entry	✓ Verify assignments, freedom-to-operate and any pending infringement claims

Asset	Why Buyers Pay	Diligence Spotlight
Governance artefacts & certifications (AI Verify reports, bias audits, sector licenses)	Established governance setup and credentials can accelerate go-to-market and attract trust from regulators and enterprise customers (especially in regulated industries)	✓ Review scope and currency of audits ✓ Gap-assess against forthcoming EU AI Act and local frameworks
User base & distribution channels	Embedded customer relationships and telemetry shorten monetization runway	✓ Scrutinize contract assignment clauses, renewal rates and any limits on data reuse

Taken together, these assets form a self-reinforcing loop: models improve with better data and compute, while retained talent and clear governance keep that loop turning. However, value can evaporate if any strand breaks. Accordingly, purchase agreements need to lock down ownership, access and retention. In Parts 3 and 4 below, we outline the key contract levers that, in our experience, help preserve the all-important human, model, data and compute capabilities buyers are paying for.

Part 3 – The Human Paradox: Securing the Talent

Many AI assets may be intangible, yet the principal execution risk is human: market-leading models and data can lose value overnight if the engineers who created them depart. The table below outlines common pitfalls against the contractual levers to mitigate them which should be optimized on a deal-by-deal basis.

Risk	Contractual Levers	Drafting Considerations
Talent flight – engineers leave post-close	• Retention pool (cash + equity) • Equity roll-over with 18 to 30 month cliff • Key-person closing condition (buyer may walk or re-price if key persons are not retained)	✓ Structure retention packages as a separate employee-incentive pool rather than rolling them into the stated purchase price – this keeps the headline valuation clean and makes the payouts clearly contingent on the key staff staying ✓ Consider enforceability of restrictive covenants – for instance, non-competes are generally enforceable in Singapore and Australia, but void in California
IP leakage – departing founders recreate or expose code/weights	• Bad-leaver claw-back in earn-out/stock • Invention-assignment and NDA for all engineers • Source-code / weight escrow with buyer access on breach	✓ Define "bad leaver" broadly (competing employment, IP breach, criminal act) ✓ Select governing law with strong trade-secret protection (e.g., New York, Singapore)
Integration drag	• Transitional services – for any support / IP required from the seller. Time and cost parameters to be agreed in advance	✓ Plan a structured hand-over with clear integration milestones, overseen by a joint integration committee. Include a sunset date plus a clean-team firewall where needed to satisfy antitrust constraints ✓ Transitional-services schedule. List dev-ops tasks against timeline and cost caps

Risk	Contractual Levers	Drafting Considerations
Governance shock and risk of culture clash	• "AI-Lab" autonomy covenant to keep experts happy i.e., a promise to retain all or some combination of the research-and-development team, its existing tools, workflows and budget authority for a defined transition period, after which integration milestones and reporting lines will be revisited • Updated, clear and aligned KPIs and performance incentives	✓ AI-Lab autonomy covenant, ethical-AI roadmap covenant (joint bias and privacy plan) and/or open-source publication carve-out ✓ Linking earn-out to the achievement of key performance indicators (KPIs) – tie deferred consideration to objective milestones (e.g., model latency, API integration date)

Talent is a core asset class in any AI acquisition and must not be overlooked. Meticulous upfront planning on talent retention and promotion can go a long way in ensuring that the premium paid is preserved, and every retention or protection lever should be calibrated to the deal's jurisdiction, culture and risk profile rather than copied wholesale. Approached with that discipline, the people dimension becomes a driver of continued growth, not a post-completion value destroyer.

Part 4 – AI-specific Drafting: A Counsel's Toolkit for Important Legal Issues in AI M&A

Legal Issue	Why It Matters	Contractual Toolkit
Chain-of-title over models & data pipelines	• U.S. Copyright Office has issued guidance that works produced by autonomous AI lack the element of human authorship required for copyright • As a result, transactional value in AI deals lies in the underlying code, model weights and training data, and not in the outputs those systems generate	✓ Enhanced IP reps covering code, weights, data-pipelines ✓ Schedule inventor/ contractor assignments ✓ Buyer walkaway right if scan finds unlicensed code >X % of repository[1]
Data provenance & "algorithmic disgorgement"	• U.S. enforcement is moving beyond monetary penalties to structural remedies when data is tainted. In both *Everalbum (2021)* and *Rite Aid (2023)*, the FTC ordered the deletion of unlawfully sourced data and also the facial-recognition models trained on it, showing that an entire AI asset can be wiped out. • APAC authorities may start to take similar positions. Raising the need for special indemnities and data-lineage closing conditions.	✓ Data-lineage warranty, indemnities and escrows (sized to licence fees, damages or re-training costs) ✓ Closing condition tied to any active regulator probe

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[1] Often expressed as a closing condition on the results of a pre-sign or pre-close source-code scan (usually run with Black Duck, FOSSA, etc.). If the scan shows that more than a negotiated threshold (e.g., 3 % of total LOC) is made up of code that is (i) under an incompatible open-source licence or (ii) entirely unlicensed, the buyer may terminate or force a price re-set.

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Legal Issue	Why It Matters	Contractual Toolkit
Open-source / copyleft contamination	• GNU General Public License (GPL) mandates that any derivative work of GPL-licensed code be distributed under the same licence. Some commentators argue that model weights produced with GPL training code are derivative and must be open-sourced, while others view those weights as mere functional output exempt from copyleft—an issue no court has yet resolved. • Due to this uncertainty, buyers typically demand a clean software-bill-of-materials warranty or an indemnity/escrow sized to cover the cost of re-training on permissively licensed code.	✓ IP warranty, indemnities and escrows (sized to licence fees, damages or re-training costs) ✓ Pre-sign OSS audit & bill of materials (SBOM) ✓ Copyleft ring-fence covenant (replace or isolate pre-close)
Cross-border data localisation	• Data-localization requirements across Asia-Pacific appear to be tightening, requiring AI platforms to keep certain personal data within national borders. For instance, Vietnam's Decree 53 (effective October 2024) forces offshore cloud and AI providers to maintain Vietnamese user data onshore, while India's Digital Personal Data Protection Act moves toward a "whitelist-unless-blacklisted" transfer regime.	✓ Local-hosting capex escrow ✓ Geo-fencing covenant until localisation complete ✓ Carve-out for incremental localisation capex in purchase-price adjustments
Export-control & FDI overlays on AI hardware/IP	• Export-control regimes are widening to capture advanced AI hardware and trained model weights, giving authorities broad discretion to stall or unwind cross-border deals. • The US's *Framework for AI Diffusion* rule, an Interim Final Rule issued by the Biden Administration in January 2025 which sought to impose a global licensing requirement on the export or transfer of advanced AI chips and model weights and set forth a presumption of denial for exports of such items to Tier-3 jurisdictions (including China and certain other APAC nations), was recently withdrawn by the Trump Administration, with the stated intention of issuing a replacement rule. The replacement control framework remains unclear in terms of its full form and scope but it is expected to impose meaningful but more targeted controls around the export or transfer of advanced AI chips and model weights to jurisdictions of concern from a national security perspective.	✓ Export-control reps & covenants ✓ Mandatory CFIUS/FDI filing clause with long-stop date flex ✓ Reverse break-fee if blocked on national-security grounds

Legal Issue	Why It Matters	Contractual Toolkit
Ethical-AI & sector licences	• Europe is shifting from principles to hard rules on AI. Under the EU AI Act, outright prohibitions bite on 2 February 2025, transparency duties for general-purpose AI follow on 2 August 2025, and high-risk systems must achieve full conformity between August 2026 and August 2027. • Aside from cross-border impacts, EU milestones could well become a bellwether, prompting regulators in APAC and elsewhere to accelerate their own shift from voluntary guidelines to binding AI compliance timelines.	✓ Forward-looking compliance covenant (seller support for conformity assessments) ✓ Cost-sharing escrow for re-engineering ✓ MAC carve-out so known AI Act costs cannot reopen price

Overlooking ownership, data provenance, copyleft, localization, export or ethical-AI obligations can quickly erode the premium attached to an AI target. It is important to anchor the definitive agreements with well-scoped warranties, bespoke covenants and escrows sized to the risk to protect the scarce capability buyers are paying for.

Part 5 – Regulatory Outlook

a. United States – competition and national-security scrutiny may tighten

The FTC has issued various orders and reports across 2024 and 2025 indicating that sizeable cloud or model-sharing deals (even minority stakes) could be viewed as de-facto mergers. In parallel, the outbound-investment rule effective 2 January 2025 and the *Framework for AI Diffusion* rule (15 January 2025) appear to be signaling additional measures to restrict capital flows and chip/model exports to certain jurisdictions. Enforcement priorities may continue to shift quickly, as illustrated by the Trump Administration's recent withdrawal of the *Framework for AI Diffusion* rule, with the stated intention of issuing a replacement rule.

Mapping investor mix and transfer paths at term-sheet stage, and including export-control reps, mandatory CFIUS/outbound-filing clauses and reverse break-fees, can enhance closing certainty. It may also be helpful to prepare a pro-competitive narrative early and pare back any broad data-sharing or board-observer rights.

b. European Union – hard law on the clock

The AI Act's timeline is now live: the ban on "unacceptable-risk" systems took effect 2 February 2025, transparency duties for GPAI arrive 2 August 2025, and high-risk conformity rolls out 2026-27. Implementation details and enforcement practices are still emerging. Prudent buyers inheriting EU users will budget for remediation costs and secure a forward-looking covenant obliging the seller to assist with technical documentation and post-market monitoring.

c. Asia-Pacific – soft frameworks turning into de-facto standards

Singapore's Model AI Governance Framework for GenAI (January 2024) and AI Verify test suite already influence public-sector tenders, while Japan's METI *AI Guidelines for Business* (April 2024) are increasingly referenced in subsidy programmes. It may be prudent to request the target's latest AI Verify report or gap analysis and fold those artefacts into disclosure schedules.

d. Data sovereignty – localization rules tighten

India's DPDP Act adopts a whitelist-unless-blacklisted transfer regime, with penalties up to ₹2.5 billion per breach, while Vietnam's Decree 53 (in force October 2024) requires foreign providers to store user data onshore. Geo-fencing covenants, local-hosting capex escrows and flexible long-stop dates may be warranted where clearance risks could delay deployment.

Across the region, regulatory focus appears to converge on competition, national security and accountability. Spotting early which regulations a target is likely to trigger – and crafting covenants, timelines and break-options accordingly – can help preserve value between signing and closing.

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Closing snapshot

2025 APAC AI deals continue to command premium valuations: differentiated models, proprietary data and specialist talent remain scarce even as macro-economic and geopolitical pressures tighten financing. Buyers are not necessarily pickier, but they are increasingly constrained – capital is dear and regulatory hurdles higher – so preserving the premium paid now appears to shape serious term sheets as much as winning the bid itself. In our view, a disciplined acquirer keeps three rules in sight: first, lock in the key talents; second, diligence key assets, including verification that all data and training pipelines are lawfully and validly sourced; third, embed clear contractual paths through tightening competition, national-security and AI-governance regimes.

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Please feel free to discuss any aspects of this Client Alert with your regular Milbank contacts or any member of our Global Corporate Group.

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