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Global M&A activity soared in 2014 to approximately \$3.5 trillion in value, the highest total since 2007. What is driving global M&A to such heights, and what new developments will affect M&A in 2015?

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MobileSolve is a boutique investment bank providing M&A, capital raising and financial advisory services to companies in the wireless and semiconductor industries.*

Each month we present a short article on an industry or transaction topic of current interest, and notable transactions in the wireless and semiconductor industries completed during the prior month.

This month's newsletter explains drivers and trends in global M&A in 2015. We welcome your questions or comments.

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GLOBAL M&A IN 2015

By [Steve Gaynor](#) and [Neeraj Baghel](#)

As we saw last month with Venture Capital (read last month's newsletter [here](#)), global M&A activity similarly soared in 2014 to approximately \$3.5 trillion in value, the highest total since 2007, the last year before the worldwide financial crisis. What is driving global M&A to such heights, and what does it mean for prospective transactions in 2015?

M&A in 2014

As the year began, certain conditions and trends continuing from prior years were already in place to make 2014 a good year in terms of volume. Rising stock prices, accessibility of acquisition financing at low rates, and the desire of corporations, finally, to spend the large cash reserves that had built up during the Great Recession all drove steadily rising levels of corporate transactional activity.

Particular circumstances in 2014 were added to those trends to produce a good year, including better economic performance in most countries, relatively low market volatility in the major equity markets, the lack of significant political or economic shocks, and improved financing terms through the securities markets and banks. Acquirers were emboldened to proceed with greater confidence than in previous years.

In the U.S., surprisingly in the face of a steadily strengthening dollar, many European companies, especially German, came to the U.S. for acquisition opportunities, and inbound investment into the U.S. increased dramatically over prior years. Also driving U.S. activity, approximately \$1.6 trillion in 2014, were industry consolidation deals and divestitures by large companies refocusing on core strategies.

European M&A activity grew to approximately \$850 billion, nearly fifty percent above the 2013 level, despite the economic sluggishness suffered by many of its larger economies. Many of the transactions involved cross-border deals in the Eurozone as companies sought to consolidate industries and to gain continental-wide scale in research and development, marketing and distribution. This will certainly be a driver of wireless industry M&A activity over the next few years.

In Asia, corporate restructurings of Chinese state-owned enterprises and cross-border strategic acquisitions drove M&A activity, which amounted to approximately \$780 billion in 2014. Such activity is expected to continue as the Chinese government is encouraging reform of the public enterprise sector. The government has just announced plans to consolidate state-owned businesses, and to prepare the survivors for public listings.

Transactions involving private equity funds accounted for nearly one-quarter of global M&A activity, about \$562 billion. The total was mostly driven by exit activity among funds maturing within the next couple of years into robustly valued equity markets. They remain, however, skittish to acquire companies at current valuations, and sometimes have been outbid by industry acquirers seeking to buy strategic assets. Private equity M&A transactions have yet to return to the levels seen just before the Great Recession.

The telecom industry was among those with the highest level of activity relative to others largely because of continuing high consumer demand for mobile and broadband services, which drove the service providers to seek additional capacity and scale. The U.S. saw such large deals (still subject to regulatory approval) as Comcast/Time Warner and AT&T/DIRECTV. In Europe, BT bid for EE, a deal which will likely be completed this year.

In addition, rapid developments in key emerging technology sectors such as big data, cloud computing and the Internet of Things are forcing companies to make acquisitions to align themselves with these trends. The large technology companies such as Google, Apple, Yahoo, Facebook and Microsoft continued to be active acquirers to augment their user base, or to obtain intellectual property and engineering talent.

New Trends Impacting 2015

The trends driving the high level of 2014 activity described above are anticipated to largely remain intact well into 2015; thus, this year is expected to be as active as 2014 or more. In addition, however, certain other recent developments ought to be accounted for to more accurately forecast the acquisition landscape for this year.

Increased Hostile Activity

The use of aggressive techniques has recently become more acceptable in the corporate world. Six unsolicited bids exceeded \$20 billion in 2014, all in the pharmaceuticals or telecom spaces. Companies have not hesitated to move aggressively on strategic targets, and to intervene in an announced transaction when a desirable acquisition target is "in play". Acquirers have been emboldened by institutional shareholders who have signaled their interest in aggressive bids, and their dislike of corporate defenses that force bidders to deal directly with management or outright hinder them.

Shareholder Activism

This is a new important development in the acquisition landscape that M&A practitioners now believe will be permanent. Activists are funds that, as the name implies, campaign for changes in a company meant to enhance its value. As a group they now have substantial clout with between \$100 billion and \$200 billion

under management. They launched over one campaign a day against targeted companies in 2014, and are credited (specifically, hedge fund Starboard Value), for example, in getting Yahoo to adopt a tax-free spin-off to its shareholders of Yahoo's approximately \$34 Billion stake in the Chinese Internet company Alibaba.

For growth companies, the overall impact of shareholder activism is mixed. Activists are having an important effect on companies' capital allocation decisions, and are generally causing them to favor share buybacks, thereby adversely affecting their ability to buy growth companies. In addition, many companies have been shedding assets in the form of spin-offs (over sixty were announced in 2014) and divestitures.

Board of Directors Legal Liability

In the U.S., two recent rulings of Delaware courts, which govern many public and private companies located in the U.S. and elsewhere that choose the state as its legal domicile, were favorable to directors of selling companies. One confirmed that an informed board free of conflicts of interest did not have to shop the company to meet its fiduciary duty to shareholders to maximize value in a change-of-control transaction.

The second reconfirmed the principle boards may consider a variety of factors when deciding whether to accept an acquisition offer, such as the purported buyer's source of financing and the probability of closing, rather than just the price offered. Both these rulings are important to the boards of sellers because they give them the flexibility to consider the totality of an offer and to use their best judgment in selecting among competing offers without fear of a subsequent lawsuit.

Government Regulation

One consequence of the Great Recession and the economic and social turmoil that followed was increased governmental regulation of financial activities, including M&A. In the U.S., the EU, China, India, Brazil and other major economies, regulatory factors involving employment and labor relations, industrial policy and national security concerns can be major impediments to the successful execution of transactions. The U.S. government has been notably active in blocking proposed acquisitions of T-Mobile in the U.S., and more recently with respect to the "Net Neutrality" rules, a battle not yet over. In the E.U., the global Internet companies, which are based mainly outside the E.U., face more regulation, and possibly higher taxation as well.

Prospects for 2015

Many knowledgeable commentators anticipate a favorable environment for M&A transactions based on the availability of favorable financing terms and amounts, still-high equity capital markets, aggressive competition for desirable targets, prodding by shareholder activists and continued strategic re-positioning in key industries such as telecom.

It must be noted, however, that acquisition multiples remain high, leaving them at risk of downward adjustment. The current rather buoyant mood in financial markets could suddenly change because of deteriorating economic performance in major world economies, geopolitical tensions in the Ukraine and Middle East, or financial and societal strains in the Eurozone as economic austerity policies are challenged by populist parties in Greece, Spain and elsewhere. Given the length of the current business cycle, it would not be unusual for it to turn.

Sources: Bloomberg, Wall Street Journal, MobileSolve Research

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Transactions

The following are the most notable M&A transactions and capital financings announced or completed in the last month.

Most Notable M&A Transactions

Target	Target Industry	Acquirer	Transaction Value (in \$ millions)	Transactions Highlights
Airvend	Wireless Retail	365 Retail Markets	-	365 Retail Markets acquired Airvend, which develops wireless interactive touch screen devices used at retail points.
Bluegiga Technologies	Wireless Solutions	Silicon Labs	61	Silicon Labs acquired Finland-based Bluegiga Technologies, which provides short-range wireless connectivity solutions.
Demiurge Studios	Mobile Gaming	SEGA Corp	-	SEGA Corp acquired Demiurge Studios, mobile game-maker having major footprint in the Western market.
Lantiq Deutschland	Semiconductors	Intel	-	Intel agreed to acquire Lantiq Deutschland, which manufactures fabless semiconductor devices.

LOC-AID Technologies	Location-Based Services	TechnoCom Corp	-	TechnoCom Corp acquired LOC-AID Technologies, which operates as a location-as-a-service company.
LoopPay	Mobile Payments	Samsung Electronics	-	Samsung Electronics acquired LoopPay, which develops mobile wallet and mobile payment solutions.
Odysee	Mobile Applications	Google	-	Google Inc acquired the business and assets of Odysee from Nimbus Inc. Odysee business develops software for mobile applications.
RadioPulse	Semiconductors	IXYS Corp.	22	IXYS Corp agreed to acquire Korea-based RadioPulse, which manufactures wireless communication chips and modules.
Red Hot Labs	Mobile Gaming	Google	-	Google acquired Red Hot Labs, which provides infrastructure for mobile game developers.

Most Notable Capital Financings

Company Name	Industry	Amount Raised (in \$ millions)	Total Amount Raised (in \$ millions)	Business Description
Accelyst Solutions	Mobile Couponing	80	117	Accelyst Solutions offers recharge coupons for mobile phones, DTH TV and internet data cards under the brand "freecharge".
ADA News In Shorts	Mobile Apps	4	4	News in Shorts provides mobile application for summarized news.
Akros Silicon	Semiconductors	6	40	Akros Silicon provides power management integrated circuits.
CradlePoint	Wireless Solutions	40	57	CradlePoint develops and supplies wireless networking products and docking solutions for mobile enterprise.
Firefly Games	Mobile Gaming	8	8	Fireflygames is a Los-Angeles based startup which makes mobile games.
Fuller	Mobile Apps	2	3	Fuller is a Japanese company that develops and delivers software applications for mobiles.
Girnar Software	Enterprise Mobility	-	65	Girnar Software provides enterprise mobility consulting, mobile business intelligence, mobile app development services.
Immedia Semiconductor	Semiconductors	3	15	Immedia Semiconductor provides video and image processing chips for connected camera applications.
Iris Mobile	Mobile Messaging	2	5	Iris Mobile offers a mobile media messaging platform for marketers, agencies and brands.
Message Systems	Mobile Messaging	27	65	Message Systems provides message management software solutions.
MoBeam	Mobile Couponing	5	19	MoBeam develops mobile couponing and ticketing software solutions.
Momoe Technologies	Mobile Payments	1	1	Momoe offers mobile payments solutions.
Moxtra	Mobile Apps	10	20	Moxtra develops mobile collaboration solutions for personal and business.

Radius Networks	Mobile Software	2	5	Radius Networks is the leading provider of mobile proximity technologies.
SimplyTapp	Mobile Payments	3	9	SimplyTapp provides mobile payment distribution and authorization services.
Stratos	Mobile Payments	1	8	Stratos provides mobile payment services. The firm provides Echo, a card that mimics ordinary cards with a magnetic stripe registered under the user's name and syncs.
Vertigo Labs	Mobile Gaming	7	9	Vertigo Labs designs and develops games for mobiles.

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