



Newsletter September 2014

MobileSolve Group Services

Mergers & Acquisitions

Capital Raising

Strategic Financial Advisory

Welcome to the MobileSolve Group newsletter. 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 data on transactions in one or both of those industries, and a short article on a topic of current interest.

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STRATEGIC INVESTMENT

Overview

Strategic investment, or investment from corporations that provide capital to emerging growth companies, has ballooned in recent years and become an important source of capital for such companies. In contrast to pure financial investors such as venture capital or private equity, they can be much more than suppliers of capital; they also offer:

- Access to intellectual property, customers, business resources, etc.
- Revenues, particularly helpful for early stage companies;
- Service as a catalyst to mobilize financial capital;
- Verification of a company's technology or other aspects of its business;
- Enhancement of a company's reputation and public profile; and
- Expertise on the Board of Directors.

This article reviews the most recent conduct of the most active and sophisticated strategic investors in technology companies. In general they have venture arms dedicated to making minority investments, and their investments went primarily into internet, mobile, software, and hardware for electronics.

Strategic Investor Activity

The volume of strategic investment by the most active corporate investors has grown substantially in the past few years:

This year will likely show further growth, as Q1 2014 alone had nearly \$3 Billion of investments.

Several reasons explain the relatively high level of activity and volume:

- More companies have adopted strategic investment in emerging growth companies as a strategy to gain access to new technologies;

- They tend to invest in later stages (e.g., Series B and C), and thus the investments are larger;
- They have substantial cash available as a result of the recent financial crisis; and
- Much of the activity takes place in Silicon Valley, now at a high point in its cycle.

It will not come as a surprise to many that the most active technology strategic investor is Intel Capital, followed by Google and Qualcomm. In fact, the three together dominate strategic investing as they have made in aggregate more investments than the next dozen companies. Each has a large, expert staff and well-honed process to make investments.

After the top three, Salesforce has recently been the most active corporate investor, demonstrating the importance of enterprise software. Importantly, non-US investors are substantially represented among the fifteen most active companies, including T-Ventures, Samsung Ventures, Cyber Agent Ventures, Bertelsmann Digital Media, SingTel Innov8, DG Incubation, ITOCHU Technology Ventures and Nokia Growth Partners.

Except for Google, which tends to invest at an early stage, most investments are made at mid-stage, when:

- The investment is less risky, and the "winners" can more clearly be identified;
- The technology has matured in commercial terms, and customer transaction has been gained; and
- Industry and standards, if applicable, are more developed

Preparing for a Strategic Investment

The emerging growth company should investigate the proposed investor early in the transaction discussions. It should learn about the investor's past investment experience and how those investments have done, and should be clear about what elements are driving the relationship for the strategic investor. This is especially relevant where the strategic investment can be a prelude to a full acquisition.

Contrary to what some may believe, the venture arm of a strategic investor is measured by financial metrics; thus, a strong financial story is an important element, though, of course is not by itself sufficient. Most typically, strategic investors are interested in entering new markets or developing existing ones, obtaining access to advanced technology or business processes, or seeking to counter a competitive threat or to solve a specific business problem.

Structuring the Strategic Investment

The sophistication of the strategic investor will have a measurable impact on the structuring of the transaction. The most active investors are very sophisticated, and often have former investment bankers and venture capitalists on their teams. The terms generating the particular attention in a strategic investment tend to be:

- Valuation
- Board Seat
- Business Plan
- Minority Investor Rights
- Termination

The following is a brief introduction of these important and complex issues.

Valuation: Much of the outcome of discussions around the Company's valuation at which the investment is to be made depends on whether venture capital investors are also participating in the round. If they are, which is often, then the strategic investor is likely to leave negotiation of valuation

and investment terms to the professional investors. If they are not, and the strategic investor is investing on its own, then it may be less demanding on financial terms because by definition it has other reasons for wishing to pursue the investment. Thus the emerging growth company may want to consider mounting an effort to complete a separate transaction with a strategic investor alone.

Board Seat: It is typical to grant an investor owning twenty percent or more of the equity the right to appoint a director. Strategic investors almost always will insist on appointing at least one director to oversee its investment and to ensure its goals for the investment are accomplished. This is problematic, however, because there may be occasions when the director's loyalties conflict. In almost all jurisdictions, a director has a fiduciary duty to act in the best interest of the Company and its stockholders, but there may be times when that duty is in conflict with the best interests of his employer. There are ways to ameliorate this issue, such as ensuring the Company and the investor are closely aligned from the start, appointing independent directors without potentially divided loyalties, negotiating triggers for the strategic investor to exit, and others.

Business Plan: A business plan that is negotiated in parallel with and becomes part of the investment agreements captures the "strategic" element of the investment, and is a very necessary part of its potential for success. The strategic investor often wants product distribution rights (sometime exclusive for particular geographies or markets), a license of key technology, or a right of first refusal on the transfer of existing or issuance of new shares. The emerging growth company should be similarly clear about what it wants from the strategic investor, and negotiate specific terms that promise to deliver them. Individuals at the investor with responsibility for delivering the investor's promises should be identified, and their performance in doing so should be measured. Finally, there should be a method to solve problems as they arise.

Minority Investor Rights: Minority investors of any type, including strategic investors, often will seek to identify corporate actions that require a supermajority vote of approval. These are sometimes called blocking rights, and operate to require the approval of the minority investor. There is a long list of potential corporate actions that may become subject to such rights; they most often have to do with the company's ownership and capital structure. This is a complex issue, and granting such rights must be carefully circumscribed to protect the investor's legitimate interests, but to go no further.

Termination: Especially if made at the Company's early stage, the time frame of a strategic investment can be many years. And, of course, things change, and the conditions that gave rise to the relationship that led to the investment may no longer pertain. If that occurs, then it is advisable for the strategic relationship to terminate. The investment agreement should provide for the redemption or transfer of a strategic investor's shares if the "strategic" part of the relationship has become obsolete. At the very least, there should be transfer restrictions on the investor's shares should it seek to exit.

Active Strategic Investors

The following corporate venturing arms are the most active investors in internet, mobile, software, and electronic hardware:

- AMD Ventures
- American Express
- American Express Ventures
- AOL Ventures
- Bertelsmann Asia Investments
- Bertelsmann Digital Media Investments
- Blackberry Partners Fund
- Bloomberg Beta
- BMW i Ventures
- Citi Ventures
- Comcast Ventures
- CyberAgent Ventures
- Dell Ventures

DG Incubation
Docomo Capital
GE Ventures
Google Ventures
GREE Ventures
Hearst Ventures
Innovacom
In-Q-Tel
Intel Capital
ITOCHU Technology Ventures
Kaplan Ventures
kbs+ Ventures
KDDI (Mugen Labo & Open Innovation Fund)
Liberty Global Ventures
Microsoft Ventures
Mobile Internet Capital
Motorola Mobility Ventures
Motorola Solutions Venture Capital
Nissay Capital
Nokia Growth Partners
NTT DoCoMo Ventures
Orange-Publicis Venture Fund
Point B Capital
Qualcomm Ventures
Reaktor POLTE
Recruit Strategic Partners
Reed Elsevier Ventures
Salesforce
Samsung Ventures
SanDisk Ventures
SanomaVentures
SAP Ventures
Siemens Venture Capital
SingTel Innov8
SK Telecom Ventures
Softline Venture Partners
Steamboat Ventures
Swisscom Ventures
Tekes
Telefonica Ventures
Telstra Ventures
TELUS Ventures
Tengelmann Ventures
Time Warner Investments
T-Venture
UMC Capital
Verizon Ventures
Vodafone Ventures

Sources: IQtel; CB Insights

Transactions

The following are notable M&A transactions, Capital Financings and IPO filings announced and completed in the last month.

M&A Transactions

Target	Target Industry	Acquirer	Transaction Value (in \$ millions)	Transactions Highlights
5Rocks, Inc.	Internet Software and Services	Tapjoy, Inc.	-	Tapjoy, Inc. acquired 5Rocks, Inc. from KDDI Open Innovation Fund and WING Fund, funds managed by Global Brain Corporation and other shareholders. 5Rocks, Inc., a startup company, provides business intelligence (BI) tools for mobile gaming developers.
Advanced Network Technologies S.A.	Systems Software	u-blox Holding AG (SWX:UBXN)	6.94	u-blox Holding AG (SWX:UBXN) acquired Advanced Network Technologies S.A. from CEVA Inc. Advanced Network Technologies S.A. provides Wi-Fi software products and services to the broadband wireless access market.
Bubbly	Systems Software	Altruist Technologies Pvt. Ltd.	-	Altruist Technologies Pvt. Ltd. acquired Bubbly on August 22, 2014. Bubble Motion Pte. Ltd. develops mobile voice messaging and audio content applications.
CSR plc (LSE:CSR)	Semiconductors	Microchip Technology Inc. (NasdaqGS:MCHP)	-	Microchip Technology Inc. (NasdaqGS:MCHP) made an offer to acquire CSR plc (LSE:CSR) from a group of sellers. CSR plc, a fabless semiconductor company, designs and develops semiconductor integrated circuits primarily in Asia, the Americas, and Europe.
Human Demand, Inc.	Internet Software and Services	IgnitionOne, Inc.	-	IgnitionOne, Inc. acquired Human Demand, Inc. from Digital Entertainment Ventures and others. Human Demand, Inc. operates mobile demand side and data management platforms that provide mobile audience solutions to advertisers.
Innovaciones Microelectrónicas, S.L.	Semiconductors	e2v Technologies plc (LSE:E2V)	45.88	e2v Technologies plc (LSE:E2V) agreed to acquire Innovaciones Microelectrónicas, S.L. in the design, production, and supply of off-the-shelf and customized CMOS system-on-chip solutions
International Rectifier Corporation (NYSE:IRF)	Semiconductors	Infineon Technologies AG (XTRA:IFX)	3,040.58	Infineon Technologies AG (XTRA:IFX) signed a letter agreement to acquire International Rectifier Corporation (NYSE:IRF) for \$3 billion in cash. International Rectifier Corporation designs, manufactures, and markets power management semiconductors worldwide.
Jinny Software Ltd.	Application Software	Enghouse Systems Limited (TSX:ESL)	17.71	Enghouse Systems Limited (TSX:ESL) acquired Jinny Software Ltd. from Acotel Group SpA (BIT:ACO) for approximately €13.2 million. Jinny Software Ltd. provides mobile messaging and advertising, call completion, and voice and value added solutions.
Leaf Holdings, Inc.	Systems Software	Heartland Payment Systems, Inc. (NYSE:HPY)	-	Heartland Payment Systems, Inc. (NYSE:HPY) acquired remaining minority stake in Leaf Holdings, Inc. Leaf Holdings, Inc. develops mobile payment application.
Lulo Ventures Inc.	Internet Software and Services	Beanstock Media, Inc.	-	Beanstock Media, Inc. acquired Lulo Ventures Inc. Lulo Ventures Inc. operates an online platform for mobile publishing.
Manhattan Software Group Limited	Application Software	Trimble Navigation Limited (NasdaqGS:TRMB)	-	Trimble Navigation Limited (NasdaqGS:TRMB) acquired Manhattan Software Group Ltd. on August 19, 2014. Manhattan Software will be reported in Trimble's Engineering and Construction Segment.

MdotLabs, Inc.	Internet Software and Services	comScore, Inc. (NasdaqGS:SCOR)	4.5	comScore, Inc. (NasdaqGS:SCOR) acquired MdotLabs, Inc. from Great Oaks Venture Capital LLC and Chicago Ventures for \$4.5 million on August 4, 2014. TmdotLabs, Inc. provides a SaaS platform to fight against invalid activity in Web and mobile advertising.
Mobile Safety Solutions Limited	Internet Software and Services	SHE Software Ltd		SHE Software Limited acquired Mobile Safety Solutions Limited. Mobile Safety Solutions Limited, a health, safety, quality, and environmental compliance management software company, provides Web and personal digital assistant (PDA) based products.
MobileDevHQ	Internet Software and Services	Tune, Inc		Tune Inc. acquired MobileDevHQ on August 4, 2014. MobileDevHQ provides mobile application (app) store optimization solutions.
Moonshark, Inc.	Application Software	Hitcents Inc.		Hitcents.com acquired Moonshark from Creative Artists Agency, Qualcomm Inc. and other shareholders. Moonshark, Inc. produces, markets, and publishes mobile games and applications.
Physical Graph Corporation	Internet Software and Services	Samsung Electronics Co. Ltd. (KOSE:A005930)		Samsung Electronics Co. Ltd. (KOSE:A005930) acquired Physical Graph Corporation. Physical Graph Corporation provides home automation products
Saya Mobile Ltd	Application Software	Kirusa, Inc.		Kirusa, Inc. acquired Saya Mobile Ltd. Saya Mobile Ltd designs and develops chat application for mobile phones.
Shanghai XingJiTong Shi Ye Company Limited		Shanghai CM Concept Communications Products Franchise Sale Company Limited	0	Shanghai CM Concept Communications Products Franchise Sale Company Limited signed a conditional sale and purchase agreement to acquire Shanghai XingJiTong Shi Ye Company Limited which provides services for leading national telecommunication operators in the mobile telecommunications market in Shanghai.
Shenzhen Muzhi Youwan Science and Technology Co., Ltd.	Home Entertainment Software	Huawei Technology Co., Ltd. (SZSE:002502)	6.35	Huawei Technology Co., Ltd. (SZSE:002502) agreed to acquire unknown stake in Shenzhen Muzhi Youwan Science and Technology Co Ltd for CNY 39 million. Shenzhen Muzhi Youwan Science and Technology Co., Ltd. develops mobile games. The company is based in China.
Solaiemes, S.L.	Internet Software and Services	Comverse, Inc. (NasdaqGM:CNSI)		Comverse, Inc. (NasdaqGM:CNSI) acquired Solaiemes. Solaiemes, S.L. provides infrastructure solutions for carriers, MVNOs, and service providers. It offers Rich Communication Suite (RCS) solution gateway, which enables the service creation on top of RCS using APIs; and RCS Thin Client Server, a server thin client for Web-browser, TV widgets, and set-top-boxes.
Systems Design & Development, Inc.	Application Software	BroadSoft, Inc. (NasdaqGS:BSFT)		BroadSoft, Inc. (NasdaqGS:BSFT) acquired Systems Design & Development, Inc. recently. The acquisition is expected to contribute over \$1 million in revenue in 2014 Systems Design & Development, Inc. provides software, services, and systems integration solutions.

Capital Financings

Company Name	Industry	Amount Raised (in \$ millions)	Total Amount Raised (in \$ millions)	Business Description
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Adello, Inc.	Advertising/Marketing Services	2.00	2.00	Operates a programmatic media-buying platform for mobile advertising.
Adinnovation, Inc.	Information Technology Services	-	1.60	Adinnovation, Inc. is a holding company that provides mobile advertising solutions.
Advice Wallet, Inc.	Information Technology Services	1.50	1.50	mobile payment and loyalty application
Airbnb, Inc.	Internet Software/Services	25.00	799.80	Airbnb, Inc. provides a community marketplace for people to list, discover, and book accommodations around the world via online or from a mobile phone.
Alfresco Software Ltd.	Packaged Software	45.00	64.00	Alfresco Software Ltd. provides software solutions. The company's products include alfresco enterprise on-premise, in the cloud, mobile and community edition.
Appcelerator, Inc.	Packaged Software	22.00	65.20	Appcelerator, Inc. is a holding company engaged in the provision of mobile development platform for javascript developers.
aWhere, Inc.	Miscellaneous Commercial Services	2.45	2.90	aWhere, Inc. develops and provides location intelligence and global development solutions.
Azumio, Inc.	Packaged Software	0.92	3.42	Azumio, Inc. develops biofeedback health applications on mobile devices.
BLiNQ Networks, Inc.	Specialty Telecommunications	7.37	28.10	BLiNQ Networks Inc. is engaged in providing scale mobile data networks enabling operators to meet the demand for mobile data service.
CENTRI Technology, Inc.	Packaged Software	6.34	25.79	CENTRI Technology, Inc. is a leading provider of mobile data optimization (MDO) and bandwidth management solutions that reduce network congestion and provide an enhanced user experience across all connected devices.
DisruptiveApps, Inc.	Packaged Software	0.08	1.93	DisruptiveApps, Inc. is a holding company, which is engaged in the development of mobile applications.
Hike Ltd.	Packaged Software	65.00	86.00	Operates as a cross-platform mobile messaging app which allows to exchange messages without having to pay for SMS
Kiwi, Inc.	Packaged Software	12.00	21.00	Kiwi, Inc. operates as an Android-focused mobile entertainment company. It develops mobile applications and social games.
Life360, Inc.	Miscellaneous Commercial Services	25.00	71.25	Life360, Inc. provides family safety and security products through mobile and web platforms.
Lookout, Inc.	Packaged Software	150.00	282.34	Lookout, Inc. is a mobile security company that provides protection from the growing threats facing mobile users including malware and spyware, data loss, and device loss.
Newlans, Inc.	Semiconductors	-	20.00	Newlans, Inc. operates as a semiconductor company which specializes in the reconfigurable broadband analog signal processing solutions.
Saavn LLC	Internet Software/Services	4.00	20.00	Provides web and mobile music streaming services
SkyCross, Inc.	Telecommunications Equipment	2.28	76.56	SkyCross, Inc. designs and manufactures advanced antenna and radio frequency solutions. Its products include mobile devices and wireless networks.

Smaato, Inc.	Advertising/Marketing Services	25.00	40.00	Smaato, Inc. engages in the provision of mobile Real-Time Bidding (RTB) ad exchange (SMX) and Supply Side Platform (SSP).
Snapchat, Inc.	Packaged Software	20.00	148.53	Snapchat, Inc. engages in the development of a photo messaging application for mobile phones.
SumUp Ltd.	Packaged Software	-	20.00	SumUp Ltd. provides mobile payment solutions through debit and credit cards.
Verve Wireless, Inc.	Packaged Software	4.10	41.10	Verve Wireless, Inc. provides location based mobile advertising solutions.
viaForensics LLC	Miscellaneous Commercial Services	-	0.00	Provides enterprise mobile security products and services

IPOs

Company Name	Industry	Stock Exchange	Gross Proceeds (Inc. Over-allotment) in \$ millions	Business Description
iDreamSky Technology Ltd.	Internet Software/Services	NASDAQ	115.50	iDreamSky Technology Ltd. engages in the provision of mobile game publication.
Pushpay Holdings Ltd.	Miscellaneous Commercial Services	Wellington	-	The company is provider of mobile commerce tools that facilitate non-point of sale.

Source for all the above transactions: Capital IQ database

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