

TAP THE FAMILY OFFICE



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MobileSolve Group is a boutique investment bank providing M&A, Capital Raising and Financial Advisory services to technology growth companies.*

This newsletter presents short articles on industry or transaction topics of current interest.

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TAP THE FAMILY OFFICE

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Background

"Tapping" the family for money is an important skill for cash-strapped young people home from school. Perhaps entrepreneurs should become similarly skilled, though in this case by "family" we mean the Family Office.

The Family Office has recently emerged as an important new source of private equity. It typically refers to a pool of capital managed by one or a small group of families who decided to control their own investments rather than leave investing to a money manager.

The actual number of Family Offices is uncertain. CapGemini, in a report now dated,* estimated the global number at 3,000 with total assets under management of \$1 - \$1.2 Trillion. It is generally believed both the number and assets under management are now higher given the well-documented increase in net worth of the world's wealthiest people.

Unsurprisingly, concentrations of Family Offices are found in the world's money-centers such as London in New York. Certain locations, notably Singapore, have designed regulations to attract them.

Profile of the Family Office

Because they represent individual families, there is no typical Family Office, but generalizations may be made. The source of funds is most often the sale by an entrepreneur of a family business, followed by persons who have had a successful career in finance, such as in private equity.

In a survey done by the Family Offices Group** about half of Family Offices sought to make total investments in a company between \$500K - \$5M, 40% between \$5M - \$25M, and 10% above \$25M. They tend to focus in industries where they have some expertise, such as the industry of the entrepreneur behind the Family Office.

The Offices themselves are expertly run, managed by professionals who would be found in any top private equity firm. Some professionals have decided to make a career managing Family Offices.

Advantages of Family Offices

Because of their nature as family-run organizations, Family Offices as an investment class offer sellers of company stock a number of advantages when compared to other sources of funds.

Industry Expertise

By focusing on industries they know, Family Offices possess a wealth of contacts, expertise, market and other knowledge they can bring to support the growth of a business. They can thus be excellent additions to a multi-party capital round or sale of a business where the executives stay for several years more.

Quicker Decisions and Closings

As they are investing their own rather than third party funds, do not have an investment committee seeking consensus among diverse people, and are usually investing in their area of expertise, Family Offices often have the confidence to make faster decisions whether to invest, and whether to close following the due diligence.

Aligned with Management

The investment style of Family Offices is to invest in a management team, and support them, but leave them to run the business. This is in contrast with many private equity funds and strategic investors that come with their own managers to install and portfolio businesses to combine or leverage.

Longer Time Horizons

Without a fund carrying a termination date, or limited partners hungry for cash returns, Family Offices have the luxury of extended time horizons. This allows a company to adopt long-term strategies, and to wait patiently for the best offer or most appropriate time to sell the business.

Less Leverage

Unlike many private equity investors, Family Offices look for returns from operations rather than debt retirement or other forms of financial engineering, and thus use much less leverage. This practice makes for a healthier balance sheet that can weather a downturn, and support adoption of long-term growth strategies.

When raising capital, or seeking to sell a major stake in a business, consider Family Offices a possibility. Like other investors, they seek deal flow, so if you meet their initial criteria, you are certain to receive a warm welcome.

Sources:

- * "The Global State of Family Offices" Capgemini 2012
- ** Richard Wilson, the Family Offices Group

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Most-Read Articles

[**Preparing for the Sale**](#)

[**Valuation Is Only The Beginning**](#)

Transactions

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

Notable M&A Transactions

[ARM](#) acquires Apical - a imaging specialist for \$350M. [See details here ...](#)

[Broadcom](#) acquires [MagnaCom](#) - a privately held technology company aiming to reinvent the evolution of digital communications for \$ 50M. [See details here ...](#)

[BCE](#) acquires Manitoba Telecom, a provider local and long-distance phone services, Internet service and wireless services including digital PCS, cellular, and paging for \$3.1-billion. [See details here ...](#)

[CITIC Telecom](#) to Acquire Linx Telecommunications. [Check details here ...](#)

[Dimoco](#) has acquired Onebip, an Italian mobile payments firm specialising in direct carrier billing services, from former shareholder Neomobile. [See details here ...](#)

[Fitbit](#) acquires Coin - a wearable payment platform for an undisclosed amount. [See details here ...](#)

[GoDaddy](#) acquires FreedomVoice - a provider of cloud-based VoIP phone systems for \$42M. [Check details here ...](#)

Notable Capital Financings

[Armada Interactive](#), a Finnish mobile gaming company raises \$3M funding, led by London-based Initial Capital. [See funding details here ...](#)

[Appboy](#), a CRM and Mobile Marketing Automation technology, raised \$20M- Series C, funding round led by Battery Ventures. [See details here ...](#)

[GoHero.ai](#), a Mobile Travel Chat (MTC) startups, smart personal travel concierge, has raised undisclosed amount from Incubator, a travel start-up. [See details here ...](#)

[Passport](#), mobile payment app specializing in enterprise business applications & payments for parking and transportation, has raised \$8M - Series B round. [See details here ...](#)

[Rooam](#), a Mobile app that allows customers to pay for drinks, explore local events and find friends, has raised \$1.2M from several undisclosed private investors. See [funding details here ...](#)

[Swiggy](#), food ordering app, has raised an additional amount of \$7M from NVP, DST & Accel. [See details here ...](#)

[Varo](#), a Mobile-only bank, takes \$27m in latest funding round, led by private equity company Warburg Pincus. [See funding details ...](#)

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