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MobileSolve Group, Inc. 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, and a summary of recent notable transactions.

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VC in 2016 - AN EARLY WRAPUP

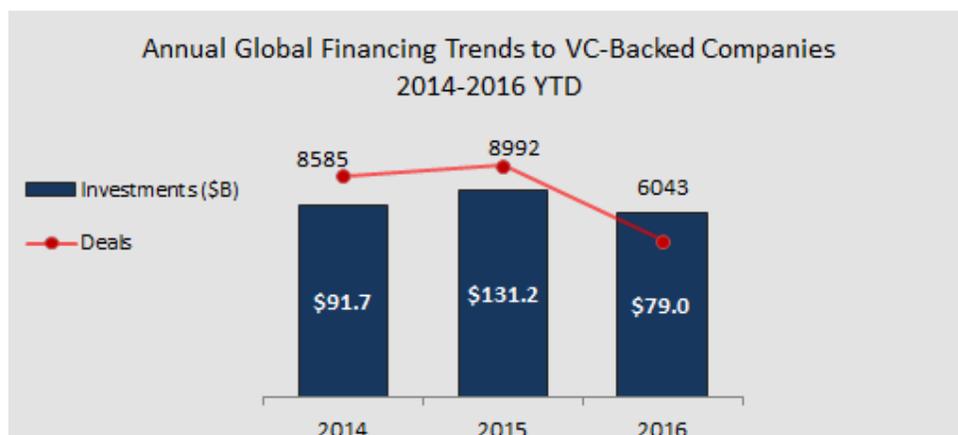
We are well into the fourth quarter, and in a couple of months we will be reading about how the year turned out for funding growth companies. But that's rather late for companies, including MobileSolve clients, now planning and preparing for their 2017 fundings, and for investors who must understand and consider new investments in the context of current market trends.

The following is an early year-end wrap-up of how VC is shaping up going into the closing month of 2016. It includes the three geographies covered by MobileSolve -- Asia, Europe and North America - as well the most active technology sectors. Early next year we will send a short description of how the full year closed.

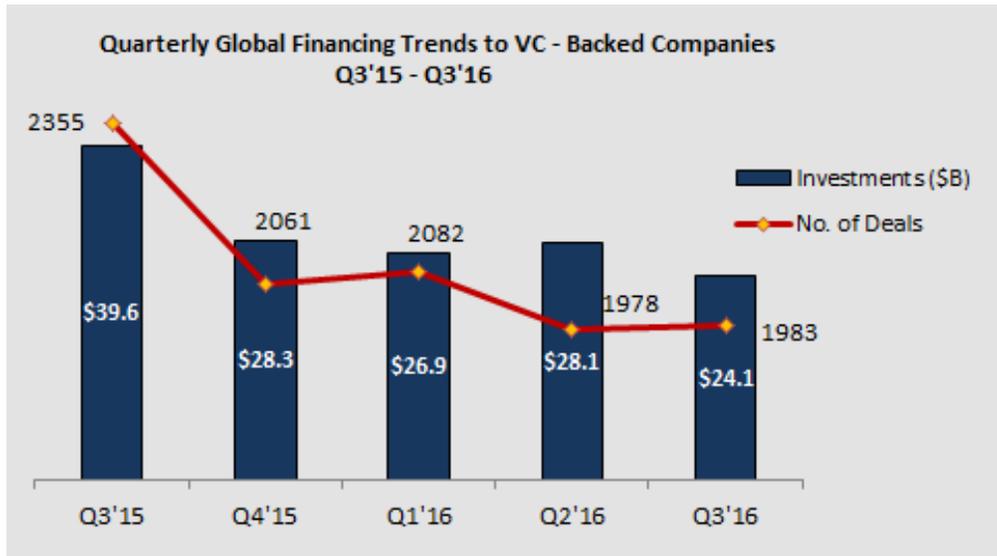
Key Global Trends

A review of various metrics comparing 2016 to 2015 and earlier years evidences a clear slow down in VC activity, and a settling around a new, lower, normal level of investment.

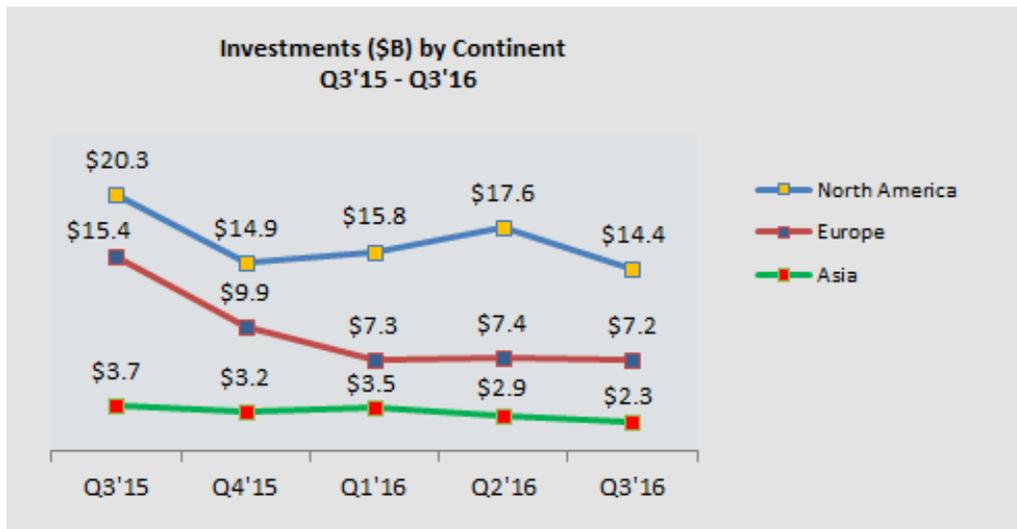
Global VC funding has continued to drop since peaking in 2015. Q3 2016 funding of \$24.1 Billion was back to levels last seen in mid-2014:



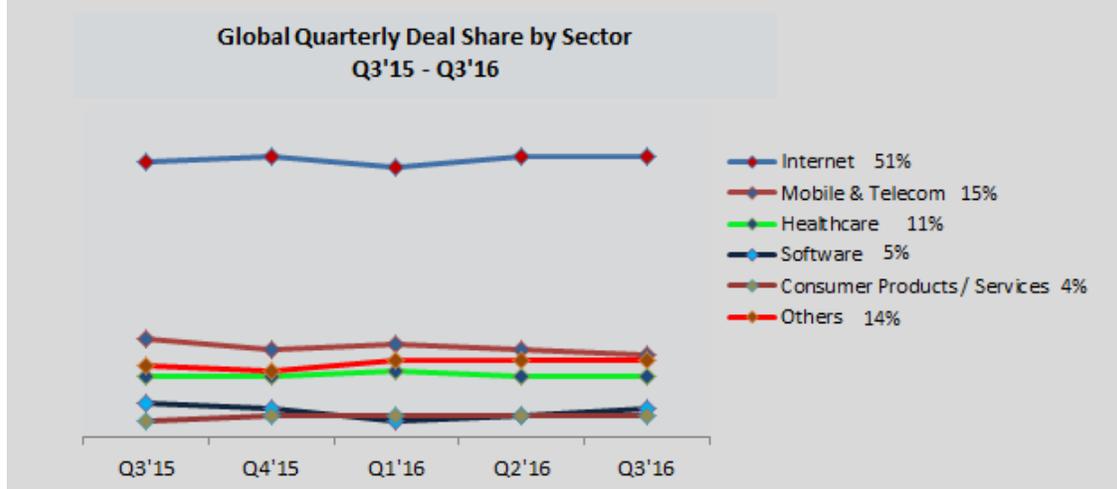
The market appears to be stabilizing, however, at the new lower level, off almost 40% in terms of total investment, from the Q3 2015 peak :



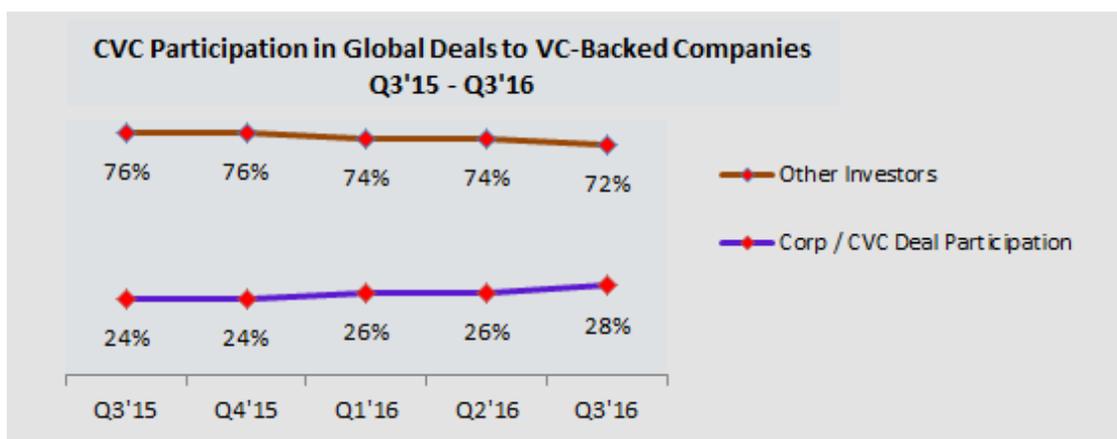
All three geographies have experienced substantial declines, with the steepest occurring in Asia, where VC investment is a dramatic less than half one year-ago levels:



All technology sectors have shared the decline, almost evenly as shares of total funding have remained relatively steady. The Internet sector continues to take about one-half and Mobile about 15% - 20%:



Corporations and their VC arms ("CVCs") are somewhat stepping into the vacuum; created by the decline; their combined share of global deals has continued to rise:



Outlook for 2017

The outlook for 2017 is beset by substantial political uncertainty, particularly in the Western developed economies, which usually adversely affects investment levels and the performance of private and public markets. The list is quite long: Brexit going to Parliament; the election of Trump, whose policies are unknown; the prospect of Fillon vs. Le Pen in a runoff for President of France; Merkel running for a fourth term in Germany, et al.

Much will depend on the policies pursued by the big economies early in the year. The U.S. equity markets are higher following the Presidential election betting that Trump will pursue fiscal stimulus. Whether that actually occurs remains to be seen; meanwhile, the Fed has signaled its determination to raise rates, and U.S. debt markets have suffered fairly steep losses.

China is expected to have a difficult year as it grapples with slower growth, high debt, high real estate inventories, and possibly new protectionist trade policies in the U.S. Other emerging markets have suffered currency losses and lower investment levels from increases in the U.S. dollar, likely slowing growth in those economies.

European nations are expected to implement fiscal stimulus, which should buoy their equity markets, despite the high political uncertainty. The UK is an exception with economic performance uncertain as the actual terms of Brexit wait to be defined.

Against this backdrop many VC funds, on the back of good performance through 2015, raised large sums in 2016. They will want to put this money to work, but will be mindful of the fraught political and economic environment.

In summary, expect the recent stabilization at lower investment levels to continue into 2017, but when raising funds be prepared to face cautious investors and a more difficult fund raising environment than in the past few years characterized by:

- Longer times to funding, so start earlier;
- Stricter criteria regarding customer traction, revenues, etc.
- Downward pressure on valuations, so be sure to develop interest among several investors;
- Harsher terms, so have a good understanding of term sheets, and be ready to negotiate hard; and
- Extensive due diligence, so be set with models, documentation, references, etc.

Despite the higher hurdles, well-prepared companies will continue to get funded.

Note: This newsletter is for informational purposes only, and not for the purpose of providing legal, financial or other advice.

Sources: CB Insights, KPMG Enterprises, the Wall Street Journal, MobileSolve Analysis

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Transactions

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

Notable M&A Transactions

[Glu Mobile](#) acquires CrowdStar, a global leader in mobile and social gaming. [See details here ...](#)

[M/A-COM](#) acquires Applied Micro, which provides computing and connectivity solutions for cloud infrastructure and data centers, for \$688 million. [See details here ...](#)

[Oracle Corporation](#) acquires Dyn, a cloud-based internet performance company that enables its clients to monitor, control, and optimize online infrastructure. Dyn recently suffered a massive DOS attack. [See details here ...](#)

[Qualcomm Incorporated](#) acquires NXP Semiconductors, which creates solutions that enable secure connections for \$38.5 Billion. [See details here ...](#)

[Renesas Electronics \(Japan\)](#) acquires Intersil Corporation, a US based design, manufacturer, and marketer of analog ICs, for \$3.2 billion. [See details here ...](#)

[Samsung Electronics](#) acquires Harman International, a provider of premium branded audio systems and solutions to vehicle manufacturers, for \$8 billion. [See details here ...](#)

[Symantec](#) acquires LifeLock, an identity theft protection company, for \$2.3 billion. [See details here ...](#)

[Windstream](#) acquires EarthLink, a leading provider of IP infrastructure and services, for \$1.1 billion. [See details here ...](#)

Notable Capital Financings

[Knowlarity Communications](#), an Indian cloud telephony provider, raises \$20M in a Series C round. The round was led Delta Partners Capital, Sequoia Capital India and Mayfield. [See funding details ...](#)

[Megvii](#), a Chinese internet startup focused on operating a face recognition cloud services platform and a mobile game studio, raises \$20M in a Series C round. [See funding details ...](#)

[PayKey](#), an enabler of payments within any social network, raises \$6M in a Series A round. The funding was co-led by e.ventures and Gaby Salem, an asset manager. [See funding details ...](#)

[PlaySimple Games](#), an Indian mobile social gaming startup, has raised \$4M in a Series A round. The funding was provided by SAIF Partners and IDG Ventures. [See funding details ...](#)

[Sviper](#), a mobile mobile gaming studio, has received seed funding in a round was led by Global Founder's Capital. [See funding details ...](#)

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