

**MobileSolve Group, Inc.** is a boutique investment bank providing M&A, Capital Raising and Financial Advisory services to technology emerging and 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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By: Steve Gaynor and Mansi Srivastava

## HANDLING THE UNSOLICITED ACQUISITION OFFER

We met our client Stelligent Systems LLC soon after they had received three unsolicited takeover inquiries. The specialist in Amazon Web Services and Dev Ops had outstanding people and expertise in those two popular fields, and the company was growing fast. Once they had begun to win several large accounts, word had gotten around that Stelligent was quickly becoming a hard-to-beat competitor.

The issue MobileSolve immediately faced as Stelligent's financial advisor was how to respond to such unsolicited inquiries. While every particular situation is different, following are several lessons that came from our experience.

**Assemble a Team of Experts.** Successfully navigating the M&A market takes a wide range of skills not often found among entrepreneurial companies and their Boards.

Ideally, before it becomes a target of unwanted suitors, a company should ensure it has ready access to an experienced M&A investment banker and legal counsel, a CFO, preferably with transactions knowledge, and in some cases, a public relations agency. A good team working together can add immeasurably to achieving a successful outcome.

**Develop a Coherent Analysis.** Ultimately there are three possible choices in responding to an unsolicited bid: sell to the bidder; develop an alternative transaction; or remain independent. A rational approach to selecting among these choices should involve a "macro" analysis of reassessing strategic goals in light of macroeconomic trends and industry developments, and a "micro" approach of which choice creates the most value on a probability-weighted basis. The company's experts can help management and the Board weigh the different factors in reaching a decision.

**Know Your Company's Valuation.** No one expects an unsolicited offer to be the best offer the bidder or another potential buyer might make. But to assess that offeror's bid

as an indicator of its seriousness, intentions and aggressiveness, the bid should be compared to a valuation range provided by your banker. Such an assessment will guide the decision whether to work with the offeror, or the type of response that should be made

**Appreciate M&A Dynamics.** In many sectors, M&A activity follows a rough 18–24 months cycle characterized by a few early sporadic acquisitions followed by accelerated activity when valuations rise and most sector acquisitions are made in a wave of consolidation. The activity eventually peaks, after which just a few, if any, deals are made. Understanding the sector’s M&A dynamics should feed into the decision whether to respond favorably to unsolicited inquiries, and the proper valuation range.

**Keep the Board Informed.** Unsolicited offers are typically made to a company’s CEO, who often is also a company co-founder and major shareholder used to making most decisions on her own. But the decision whether to accept an acquisition offer legally rests with the representatives of the shareholders, the Board of Directors. They have fiduciary duties to the company’s shareholders, and if professional investors, to the funds they represent. To fulfill those duties, they need to be fully informed and be given a chance to analyze the choices before the company, and to decide among them. The company’s experts can assist the CEO in gathering and analyzing information relevant to the Board’s decision.

**Understand the Shareholders’ Goals.** Of course, the chief aims of an exit are to provide a high return and liquidity to the investors. A major test of the ultimate success of a business venture will be how well the shareholders perceive they did in the sale. Management and the Board should take into account their goals, particularly those who may not be directly represented on the Board.

**Determine The Company’s Readiness to Sell.** Any transaction will have to survive a careful due diligence. Ensure all facets of the company are working properly so there is no reason for a buyer to seek a devaluation of an indicated price. Information provided to a buyer should be accurate and up-to-date. If financials are not audited, have them reviewed by an accounting firm. Make sure the company’s internal processes are working properly.

**Know What You Want.** Before negotiations begin, you should know what you want from a deal. Consider such factors as the amount of cash upfront; your comfort level with an earn-out, and whether it will be retention or performance based; how long you will stay with an acquirer, and in what type of job, etc. You cannot fairly expect to get everything, but knowing what’s important to you will help you make tradeoffs, and get what’s really important.

## **Conclusion**

In most cases, the company decides to run a competitive investment banking process to develop alternative bidders. While the strategy risks losing an unsolicited bidder, it has the advantages of adding new potential acquirers, creating a competitive bidding situation through a professionally-run process, and in many cases, increasing the company’s valuation.

Our client Stelligent with three unsolicited takeover inquiries in hand decided to run a competitive investment banking process. At the end of the marketing phase, three offers were received, including one from one of the original inquirers who stuck through the process, all on terms superior in valuation and terms to the three initial indications. We ultimately reached a deal that exceeded our original expectations with a highly-regarded company backed by a large private equity firm.

See : [Stelligent Acquired by HOSTING](#)

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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

[Altice](#) announced it will acquire Teads, a video ad player, for \$308 million. [See details here ...](#)

[Appodeal](#) acquires Corona Labs, creator of the Corona SDK for building cross-platform games and apps. [See details here ...](#)

[Crossrider](#) acquires CyberGhost, a German cyber security company for €9.1 million. [See details here ...](#)

[CSF Corp.](#) acquires Aerialink, a SaaS provider of mobile messaging and location services. [See details here ...](#)

[FirstLight](#) announced that it will acquire Finger Lakes Technologies, provider of data, Internet and voice solutions to business customers. [See details here ...](#)

[Hootsuite](#) acquires Naritiv, which helps customers leverage Snapchat in their digital marketing campaigns. [See details here ...](#)

[Metronet UK](#) acquires Venus Business Communications, an ethernet network provider. [See details here ...](#)

[Zynga](#) acquires the *Solitaire* suite of games from Harpan LLC, a mobile developer, for \$42.5 million. [See details here ...](#)

### Notable Capital Financings

[Airpay](#), an online payment gateway solution for e-commerce and retail markets in India, raises \$3.67 million in Series A. The round was lead by Kalaari Capital. [See funding details here ...](#)

[Animoca Brands](#), a Hong Kong-based mobile publisher, raises \$5.2 million. [See funding details here ...](#)

[Beekeeper](#), a Switzerland and San Francisco, CA-based employee communications platform, raises \$8m in Series A. The round was led by Keen Venture Partners. [See funding details here ...](#)

[Gobbi](#), a mobile app that enables users to create public and private groups where users can share photos and videos, raises \$500,000. [See funding details here ...](#)

[Makeblock](#), a STEM education and robotics startup, raises \$30 million in Series B. The round was led by Evolution Media China and Shenzhen Capital Group Co., Ltd. [See funding details here ...](#)

[Mythic](#), a local AI platform provider, raises \$9 million series A. The round was led by

DFJ. [See funding details here ...](#)

STAY CONNECTED:

Email: [steve.gaynor@mobilesolve.com](mailto:steve.gaynor@mobilesolve.com)



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