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.

June 2017


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You Have More Cash Than You Think

MobileSolve Group, as a financier of early stage and growth companies, is often called on to raise equity rounds. And in most cases such financing is appropriate. Only certain types of investors, generally angels and VCs, are willing to accept the numerous business and financial risks of early and growth stage companies.

But such money is expensive, with investors often seeking returns north of 50% IRRs. As a company matures and develops real and intellectual assets, establishes customer relationships and generates recurring revenues, it will have available to it alternative forms of financing. In other words, you have more cash than you think. Improving cash flow should also enhance the valuation of the company.

Let’s consider several of those alternatives. Some are straightforward management enhancements, while others require some creativity and structuring skill.They can be divided among financing cash flows or assets, and reducing debt.

Financing Cash Flows

Cash Flow Management: Working capital consumes large amounts of cash, but often is minimally managed. An easy pickup in cash flow may be available by enhancing internal processes related to the invoicing and collection of accounts receivable on the one hand, and the payments of accounts payable and levels of inventory on the other.

Factoring: This is the best known and most-often used technique to improve cash flow. It is available to companies with creditworthy customers. A factor, which can be a financial institution or commercial organization, “buys” an invoice from a company and agrees to pay the value of the invoice less a discount for commission and fees. Upon the sale, the factor advances most of the invoiced amount, and pays the balance upon receipt of funds from the invoiced party.

Sale of Future Cash Flows: Companies that have long-term contracts with creditworthy customers that generate stable and relatively certain payments can sell that cash flow. The discount will depend on the lender's estimate of the risks of both the company and the customer.

Tax Savings: Where a company has grown quickly and become profitable; i.e., in a tax-paying position, sometimes tax planning has been ignored. Certain steps might be taken to reduce taxes such as change the corporate structure to a pass-through entity, take accelerated depreciation, take advantage of governmental programs that offer tax reductions for hiring, for example, and other measures.

Financing Assets

Sale and Leaseback: Companies with substantial hard assets such as land or buildings can be sold and continued to be used pursuant to sale and leaseback agreements. Because the buyer gets a long-term tenant as part of the transaction, terms are often quite favorable to the company. The financier may want some comfort through due diligence in the long term prospects of the company.

Intangible Assets: Many companies have built value in the form of intangible assets such as patents, trademarks or copyrighted material. There are both buyers and non-traditional lenders who will value and pay for or lend against such assets. They are often sophisticated evaluators of technology and creators of transaction structures, so come to any meeting prepared and with an advisor, if necessary.

Asset Financing: Specific machinery and equipment or inventory may have value to specialized asset value lenders. Sometimes equipment has been depreciated and is shown on the books as having no value, but such lenders know that equipment could be sold for a certain amount, and are willing to lend funds against a certain portion of that value.

Reducing Debt

Refinancing Debt: Debt of almost any type may be subjected to restructuring. This may occur for any one of a number of reasons, such as lower interest rates, or a change in the company's credit rating or simply the lender. It may also derive from creative structuring that relates the debt to a specific asset or cash flow (e.g., royalty payments), or converting some debt to equity.

Strategic Equity Partner: Although we are exploring ways to get financing other than through a sale of equity, it is nevertheless worthwhile to consider a specific type of equity; that is, an investment from a company that will serve as a strategic partner. Through a proper arrangement, such a partner can enhance the strategic and operational positioning of a company, with the investment as a binding element committing the two companies to each other. The enhanced positioning, operational benefits contributed by the partner, and investment of the proceeds may ultimately improve the cash flow of the company.

To recap, you have more cash than you think! You can get that extra cash through such measures as better internal processes, creative transaction structuring, and restructuring of liabilities. Together they can improve the company's cash flow, enhance its valuation, and decrease the need for equity capital. A good CFO or outside advisor can provide guidance on implementing these enhancements.

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

Transactions

The following are notable M&A Transactions and Capital Financings announced or completed in the last month.

Notable M&A Transactions

Eventbrite acquires Ticketfly, a leading ticketing platform focused on music promoters and venues, for $200 million. See details here

Fiserv announced it will acquire Monitise, a technology and services company that delivers mobile banking, payments, and commerce networks, for $90 million. See details here…

FoxNext acquires Aftershock, a mobile game developer. See details here…

Next Gear Solutions announced it will acquire MICA Software, a software development company. See details here…

Open Destinations acquires Tineri, a mobile itinerary app designed for tour operators. See details here…

Synaptics announced it will acquire Conexant Systems, a provider of solutions for audio and imaging applications, for $300 million. See details here…

Telstra acquires Company85, a UK-based technology services business and leading provider of data centre, workspace, cloud, security and network services. See details here…

Notable Capital Financings

Arsanesia, an Indonesia-based gaming startup, raised an undisclosed funding from Discovery Nusantara Capital (DNC). See details here …

Greenlight a debit card for kids that parents manage from their phones, raises $7.5 million. The round was led by Relay Ventures, Social Capital, NEA and TTV Capital.See funding details here …

Kofera, a SaaS-driven digital marketing automation platform, raisesan undisclosed amount in Pre-Series A. The round was led by MDI Ventures. See details here …

Mobike, a mobile app that allows users to locate mobikes nearby, raises $600 million in Series E. The round was led by Tencent. See funding details here …

Ola, a mobile app for cab booking in India, raises $50 million. The round was led by US-based hedge fund Tekne Capital Management. See funding details here …

Scopely, a leading mobile entertainment network, raises $55 million in Series B. See funding details here …

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