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HEADWATERS TMT MUST READ LIST  
BEST ARTICLES FROM THE WEEK OF  
JUNE 16TH, 2014

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### Deal News

**Level 3 / TW Telecom** – Long-haul Internet provider Level 3 Communications agreed to acquire rival TW Telecom for about \$5.7 billion in cash and stock, merging the two companies' base of business customers as consolidation sweeps the communications sector. This deal brings together the global reach of Level 3's Internet backbone with the U.S. metropolitan focus of TW Telecom at a time when traffic from streaming videos from Amazon.com and Netflix Inc. to sensitive corporate data is increasing around the globe. Level 3 and TW Telecom together only hold about 6% of the fixed corporate communications market in the U.S., according to industry researcher International Data Corp. AT&T and Verizon together own nearly half. The deal values TW Telecom at \$40.86 a share, a 12% premium to Friday's close. Shareholders will receive \$10 cash and 0.7 share of Level 3 for each share of TW Telecom. Level 3 will also take on about \$1.6 billion of debt through the deal. ([WSJ](#))

**Oracle / Micros** – Oracle is nearing a deal to buy Micros Systems for more than \$5 billion, people familiar with the matter said, as Chief Executive Officer Larry Ellison moves to combat slowing growth by adding software for hotels and restaurants. Oracle and Micros are in exclusive talks, though the two sides could still fail to reach an agreement, said the people, who asked not to be identified discussing a private matter. Ellison is looking to acquisitions to fuel expansion after 10 quarters of sluggish sales growth. Oracle was late to the market for Internet-based cloud software and is now rushing to remake itself as a provider of gear and programs to underpin its clients' shift to Web-based computing. ([Bloomberg](#))

**SanDisk / Fusion-io** – Storage giant SanDisk announced plans to buy niche flash storage brand Fusion-io, after Fusion-io enjoyed a meteoric rise and then experienced a sudden decline. The deal will go through for \$1.1 billion in cash, or \$11.25 per share in Fusion-io stock, according to a statement. Fusion-io's stock was up more than 23 percent on the news. SanDisk stock was up 2.5 percent. The acquisition follows a series of recent flash storage acquisitions. Western Digital bought Virident. Cisco bought Whiptail. Most recently, EMC bought stealthy DSSD. The acquisition comes after co-founders David Flynn and Rick White left the company. ([VentureBeat](#))

**Sprint / T-Mobile** – Sprint has lined up eight banks to finance its proposed acquisition of T-Mobile, edging closer to a deal that would merge the third- and fourth-biggest U.S. mobile operators, according to people familiar with the matter. The debt package exceeds \$40 billion and includes a bridge loan of roughly \$20 billion from Japan's Softbank Corp to Sprint, as well as some \$20 billion refinancing of T-Mobile's existing debt, the people said this week. Five global banks - JPMorgan Chase, Goldman Sachs, Deutsche Bank, Bank of America Merrill Lynch and Citigroup - have agreed to finance Sprint's proposal to acquire the smaller rival, the people said. The companies will seek to finalize details of the financing in the coming month so they could announce a merger around August, said the people, who asked not to be identified because the matter is not public. ([Reuters](#))

**Cisco / Tail-f** – Networking giant Cisco said it will pay \$175 million to buy Tail-f Systems, a privately held company based in Sweden that makes systems for managing networks. The deal marks only Cisco's second acquisition this year. The first was for New York-based ThreatGrid, announced last month. Cisco acquired 10 companies in 2013, 11 companies in 2012, six in 2011 and five in 2010. Tail-f was started in 2005 and has offices in Stockholm and Santa Clara, Calif. Big networking service providers like Deutsche Telekom and AT&T use its products. The company specializes in a development sector of the networking business known as network function virtualization, or NFV. In English, that's essentially technology that gives telecom carriers the ability to deploy different services by making changes to the software running on their equipment, without having to go through the expense of switching the physical hardware. ([Re/code](#))

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### [Financing / IPO News](#)

**Cyber-Ark** – Cybersecurity software company Cyber-Ark Software recently submitted a preliminary, confidential filing to list on the Nasdaq, according to people familiar with the matter. The company is seeking an initial, overall valuation for the company of around \$500 million to \$1 billion, and is aiming to sell about a 15% to 20% stake in an initial public offering that could come later this year, these people said. They said that the company is working with investment banks including J.P. Morgan Chase, Deutsche Bank and Barclays on the IPO. Cyber-Ark makes security software for businesses that aims at protecting against intruders hacking into users' accounts. The company was founded in Israel in 1999 and its headquarters and main research and development center is in Petah-Tikva, on the outskirts of Tel Aviv. The company's U.S. headquarters are located in Newton, Mass., and it also has offices in the U.K., France, the Netherlands and Singapore. ([WSJ](#))

**Zoopla** – Zoopla Property Group, a British real estate listings website, was valued at more than \$1.5 billion in its initial public offering in London on Wednesday. The company priced its offering at 2.20 pounds a share — just below the midpoint of its initial price range of £2 to £2.50 a share — giving it a market capitalization of £918.8 million, or about \$1.56 billion. The offering came amid increasing worries about Britain's red-hot housing market. The country's top financial officials have warned recently of the need for new lending rules to curb the risks the frothy market poses to economic growth and falling unemployment. Started in 2008, the website attracts more than 20 million visits a month. About 19,000 real estate agents in Britain pay a monthly subscription fee to advertise their listings on the site, generating the vast majority of Zoopla's revenue. In announcing its I.P.O. last month, Zoopla said it had strong market penetration levels, representing about 90 percent of residential listings from property professionals in Britain. ([NY Times](#))

**BuzzFeed** – BuzzFeed may raise a \$200 million funding round — its fifth to date — a source close to the matter claims. It's unclear how far along talks are, nor is it clear who will lead the round, although existing investors NEA, Lerer Ventures, RRE Ventures, Hearst Ventures, and SV Angel may participate. When reached for comment, a BuzzFeed spokesperson provided VentureBeat with the following statement: "We don't comment on rumors and speculation." According to VentureBeat's source, the \$200 million figure is seen as a median estimate; the round may fall above or below that line. BuzzFeed's last funding round back in January 2013 saw the company raise nearly \$20 million at a rumored valuation of \$200 million. Following its last round, BuzzFeed reportedly planned to expand its mobile and video products. To date, BuzzFeed has raised \$46.3 million. ([VentureBeat](#))

**UCloud** – UCloud, a China-based provider of cloud computing infrastructure and services for games companies, mobile startups and other enterprises has raised \$50 million in a Series B round of financing. UCloud, which offers prices that compete against those of Amazon Web Services, says this is the largest-ever funding round for a Chinese provider of cloud-infrastructure-as-a-service. The round was led by Bertelsmann Asia Investments and Legend Capital. Previously, Bertelsmann participated in UCloud's \$10 million Series A along with DCM. The company says that the funding will go towards building up its R&D and its data center infrastructure — with a special focus on completing facilities in North America and expanding business there. ([TechCrunch](#))

**Instacart** – Instacart, the same-day grocery delivery startup, has raised \$44 million in a Series B funding round led by Andreessen Horowitz. Box CEO Aaron Levie and Y Combinator president Sam Altman also pitched in. The new investment follows on an \$8.5 million round from almost a year ago. Grocery delivery services, particularly those that can complete an order on the same day, has become one of the more popular but crowded spaces in the startup service market. Instacart competes directly with other grocery services like Amazon Fresh and FreshDirect, and more broadly with other delivery options like UberRUSH and Google Shopping Express. ([Mashable](#))

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### Industry News

**Mobile Gaming** – Juniper Research, a technology-consulting company, released a report today that claims that mobile games will generate \$28.9 billion by 2016. That will represent a 38 percent increase from the \$20.9 billion that the industry is on track to bring in this year. To reach these new heights, Juniper projects that mobile developers will shift their strategy to focus on squeezing more money from their most dedicated players. In 2013, consumers spent around \$16 billion on mobile games worldwide. That's largely due to free-to-play megahits like developer King's match-three puzzler Candy Crush Saga and Supercell's strategy title Clash of Clans. Both King and Supercell (along with a number of other developers) generated their revenue by paying to acquire as many players as possible. "User acquisition" is expensive, but most companies see it as absolutely necessary. While that strategy will still play a part in mobile gaming — especially for free-to-play releases — Juniper sees a new trend emerging. ([VentureBeat](#))

**Global eCommerce Sales** – Global e-commerce sales of packaged goods will hit \$53 billion by 2016 to take 5.2 percent of total turnover, up from 3.7 percent now, as shoppers increasingly go online to buy items from breakfast cereals to cosmetics, a study showed. The report published by market research firm Kantar Worldpanel on Monday predicted that online sales of fast-moving consumer goods (FMCG) excluding fresh produce would rise 47 percent by 2016 from a current \$36 billion. Kantar Worldpanel said South Korea would continue in its lead position for online FMCG sales, increasing e-commerce's share of the market to 13.8 percent by 2016 from 10.2 percent now, while growth would also be strong in Taiwan and China. ([Reuters](#))

**Marketing Automation** – After several years of 50-plus-percent growth, marketing automation is still the new kid on the block. Even with 70+ vendors in the space. The companies that have received a significant amount of venture capital over the past few years are in hyper-growth — like Act-On, which just closed a \$42 million round in April. In contrast, the slow-growth companies that are self-funding are growing at a still-good but more sedate 10-20 percent rate. The result is likely some significant continued consolidation over the next few years. In addition, as marketing automation as an industry becomes more penetrated, the larger companies will start offering industry-specific solutions. Salesforce is already doing that, IBM offers several "tracks" for different verticals, and Marketo is likely to release tailored versions of its core marketing technology for the medical, legal, high-tech, and other sectors. ([VentureBeat](#))

### And On a Lighter Note...

**Elon Musk: We Should Fear a 'Terminator' Future** – Sure, Elon Musk wants to make science fiction reality by building a city on Mars. But when it comes to other sci-fi scenarios — namely, a robot apocalypse — the founder of Tesla and SpaceX is much less optimistic. Musk revealed his fear of a robot uprising during an interview on CNBC on Tuesday while answering questions about his investment in an artificial intelligence research company called Vicarious. "In the movie, Terminator, they didn't expect, you know some sort of Terminator-like outcome," said Musk. ([Mashable](#))