HEADWATERS TMT MUST READ LIST

BEST ARTICLES FROM THE WEEK OF

JULY 7TH, 2014

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Deal News

Salesforce / RelateIQ – Salesforce.com's motto seems to be if you can't beat them, buy them. For $390 million, Salesforce.com acquired the scrappy startup RelateIQ, which uses searches of unstructured data from email, social networks, and calendars to automate large portions of the sales process. The Palo Alto, Calif.-based company raised a significant $40 million round earlier this year at a roughly $250 million valuation. Under the terms of the deal, all outstanding shares of RelateIQ capital stock will be cancelled and converted to shares of Salesforce.com common stock with a value of $350 million. Salesforce.com is also assuming the $40 million in cash that's on the RelateIQ balance sheet from its March round of funding. RelateIQ backers include Accelerate-IT Ventures, Kleiner Perkins Caufield & Byers, Felicis Ventures, News Corp., Battery Ventures, Formation 8, and Accel Partners. The RelateIQ acquisition would be Salesforce.com's largest deal since ExactTarget, which it bought for $2.5 billion last year. (VentureBeat)

ServiceNow / Neebula – ServiceNow, the cloud software company that helps other companies automate their corporate IT environments, will pay $100 million in cash to acquire Neebula, an Israeli startup. Neebula's specialty is a system for discovering what kinds of software and other systems are running in a company's IT environment. As of the end of its most recent quarter, ServiceNow had $656 million in combined cash and short-term investments on its balance sheet. He said ServiceNow will add Neebula's product directly to its own. ServiceNow shares rose slightly on the news of their second acquisition to trade at $56.22 on the New York Stock Exchange. (Re/code)

Teleperformance / Aegis – India's Essar Global Fund Ltd is selling the U.S. operations of Aegis, its outsourcing and technology portfolio unit, to Paris-based rival Teleperformance SA for $610 million as the European company looks to boost its presence in the United States. The business to be acquired represents total annual revenue of $400 million and more than 19,000 full-time employees across 16 centers in the three countries, Teleperformance said in a statement. Buying Aegis U.S. will significantly strengthen the Paris-based company's presence in the healthcare, financial services, travel and hospitality verticals in the United States, the company said. The transaction is expected to close in the third quarter. (Reuters)

Expedia / Wotif – Expedia, an online travel-booking service, agreed to buy Australia's Wotif.com Holdings for $658 million, seeking to expand its presence in the Asia-Pacific region. Wotif investors will get A$3.06 a share from Expedia and also receive a special dividend of 24 cents, the Brisbane-based company said in a regulatory filing. Wotif shares climbed 25 percent to A$3.30 at 11:06 a.m. in Sydney, the highest level since Dec. 17. Online-travel websites have been seeking revenue through acquisitions as more people book business trips and vacations online. Internet travel sales may reach $151.9 billion by 2016 from $107.4 billion in 2011, according to EMarketer Inc. (Bloomberg)

Atmel / Newport Media – Atmel has agreed to buy wireless chip maker Newport Media for $140 million as part of a move into smart connected devices with applications with the internet of things. The deal is the latest sign that chip makers are actively maneuvering for a vast market with the potential to sell billions of components to power smart connected devices. With Newport Media, Atmel says it will be able to address a broad spectrum of internet of things applications in industrial, home, and building automation. Newport-based in Lake Forest, Calif., raised $15 million back in 2010 from Pinnacle Ventures, Benchmark Capital, Venrock, Global Catalyst Partners, Oak Investment Partners, and DAG. The deal is expected to close in the third calendar quarter. (VentureBeat)

Twitter / TapCommerce – Twitter announced that it will acquire mobile ad-tech startup TapCommerce reportedly for around $100 million. The social network giant will look to leverage TapCommerce's mobile retargeting program and reach that have served Fab and eBay. Mobile re-targeting improves consumer re-engagement with mobile apps. TapCommerce raised $10.5 million last November from a Series A round that included RRE Ventures, Bain Capital Ventures, NextView Ventures, Eniac Ventures, and Metamorphic Ventures. Tap Commerce processes over 15 billion targeted ad impressions per day, according to their website. This acquisition should integrate well with Twitter's recently announced mobile app promotion ad campaign. (TechCrunch)

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Financing / IPO News

Box – After delaying its IPO in an uncertain market this spring and facing concern that it was burning through cash, enterprise company Box inched a bit closer to going public Monday, announcing a $150 million cash injection and updating its S-1 documents to show 2014 growth. The money comes from two specialists in late-stage private tech companies, TPG Growth and hedge fund Coatue Management. TPG Growth's known for investments in companies like Airbnb and Uber, while Coatue has backed companies including Snapchat and Lyft. Box sold the new shares at a slight bump in valuation from $18 per share to $20 per share, meaning the company's now worth $2.4 billion. Box has raised about $450 million to date in at least seven separate raises. Its largest venture investor remains Draper Fisher Jurvetson, which owns 25% of the company, and U.S. Venture Partners, which owns almost 13%. (Forbes)

Zayo Group – Fiber network company Zayo Group Holdings Inc. filed with U.S. regulators on Wednesday to raise up to $100 million in an initial public offering. Zayo has a network covering about 300 countries, connecting the largest U.S. and European cities. The company's network connects 14,490 buildings, including 3,838 cellular towers and 527 data centers. They are backed by private equity and venture capital firms including GTCR LLC, Oak Investment Partners, M/C Partners, Columbia Capital and Charlesbank Capital Partners. Zayo's regional and metropolitan fiber networks allow its customers, which include telecommunication carriers, to transport data, voice, video and internet traffic as well as to interconnect their networks. The company's revenue almost tripled to about $1 billion in 2013, but net loss widened to $137.2 million from $1.2 million a year earlier. Reuters reported in April that Zayo was exploring a public listing that could value the company at about $7 billion. (Reuters)

Yodlee – Yodlee, the cloud-based financial services software provider filed for an IPO that will aim to raise $75 million on NASDAQ under the ticker symbol YDLE. The company launched in 1999 in the height of the dotcom era and has grown to serve 15.7 million paid users from 750 organizations, including 9 of the 15 largest U.S. banks. Yodlee's revenue has grown 26.7% over the past 5 years and 34.4% for the first quarter of 2014 YoY. According to their S-1, they currently own 62 patents within the US and seven abroad. The IPO will leave Yodlee with 219,465,114 outstanding shares after the offering. Warburg Pincus owns about 37% of its private shares, Bank of America, Institutional Venture Partners, and ACI Worldwide own slightly less than 13% of Yodlee's shares, and Accel owns a little more than 9%. (Silicon Valley Business Journal)

TubeMogul – When TubeMogul first filed to go public, it indicated that it would offer up to $75 million of its shares for sale. That figure was soft. Today, TubeMogul decided on a price range for its shares — $11 to $13 per unit — meaning that it could sell up to $93.4 million of its stock in the flotation. The company's revenue has grown quickly, as had its losses until recently. It recorded a $7.4 million loss in 2013, the highest of its three reported year-long periods. However, in the first quarter of 2014, the company's revenue — $22.02 million, up from $9.58 million in the year-ago quarter — came attached to a slim $767,000 loss, down from $1.90 million the year before. The company has raised $53.2 million to date, making its offering interesting. (TechCrunch)

MapR – MapR Technologies has raised a $110m round of equity and debt financing to expand the go-to-market programs for its Hadoop distribution and 'big data' platform ambitions. The company has raised $80m in equity financing, led by Google Capital and involving Qualcomm Ventures, as well as existing investors Mayfield Fund, Lightspeed Venture Partners, Redpoint Ventures and NEA. In addition, a $30m debt facility has been provided by Silicon Valley Bank. MapR's previous funding includes a $9m series A in 2009, a $20m series B in 2011 and a $30m series C (later upped to $35m) in 2013, so the combination of equity and debt brings total funding to date to $174m. MapR reportedly tripled book earnings in the first quarter of 2014 YoY. Its main competitors, Cloudera and Hortonworks, received $900 million and $100 million in March, respectively, so the big data and analytics sector is heating up. (Venture Beat)

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Industry News

Mobile Computing – The gradual decline of the PC industry, spurred on by the rapid rise of mobile computing, continues apace. Today the analysts at Gartner have published their latest forecasts for global PC, tablet, "ultramobile" and mobile phone shipments: they are set to break 2.4 billion units, and nearly 88 percent of that number will be attributable to mobile phones and tablets — specifically devices built on Google's Android operating system, which on their own will account for nearly 1.2 billion devices. Gartner predicts the tipping point in favor of tablets will happen in 2015, when there will be nearly 321 million tablets shipped, versus close to 317 million PCs. Within mobile phones, smartphones are very much becoming the norm rather than the rising trend. They will account for 66 percent of all mobile sales in 2014, and Gartner projects that number to be 88 percent in 2018. (TechCrunch)

Amazon – It's going to be an interesting summer for Dropbox and Box in light of Amazon Web Services's new Zocalo enterprise document sharing and collaboration tool. With Zocalo, Amazon is essentially adding the capabilities of Dropbox and Box to its own platform as it attempts to dominate enterprise IT. Similar to Dropbox's Project Harmony, Zocalo will allow users to edit their documents in the cloud sans Microsoft Office, and any comments or edits made in the cloud can be translated over to a Microsoft Word document if the person happens to use Word to open the same file on his computer. Pricing is very aggressive. It's $5 per user per month, which includes 200 GB of storage for each user. A company pays only for active user accounts, and that's on top of a 30-day trial for up to 50 users. (TechCrunch)

Mobile Devices – Earlier this week, tucked into commentary in a fairly dismal earnings preview, Samsung said that "the demand for 5- to 6-inch smartphones cannibalized the demand for 7- to 8-inch tablets." Samsung sells a lot of 5- to 6-inch smartphones, and fewer 7- to 8-inch tablets. According to a report published earlier this week by research firm NPD Display Search, yes, 7- to 8-inch tablets are losing out to handsets. In 2013, smaller tablets made up 58 percent of the market. But the report noted that small tablet share will likely decline in the future, due to competition from 5.5-inch and larger smartphones. (Gigaom)

Video – It has long been possible to stream live video over the internet, but limitations imposed by bandwidth constraints and the architecture of digital networks made it unfeasible at the scale needed for commercial broadcasting. New technical standards and other technologies are now being deployed, however, that can overcome many of those limitations. At the same time, new tools for monetizing live-streamed video are also becoming available, even as the imperative for broadcasters to exploit all available platforms grows. The convergence of those trends is setting the stage for rapid growth in large-scale live streaming over the next five years. (Gigaom)

And on a lighter note…

3D-Printed Blood Vessels – Researchers from the University of Sydney, MIT, Harvard, and Stanford have successfully bio-printed blood vessels, offering 3D-printed organs access to nutrients, oxygen, and waste-disposal routes, according to a study published Monday. To 3D print vascular networks, the researchers fabricated fine, interconnected fibers with an advanced bioprinter. Then they coated those fibers with human endothelial cells — these sit between circulating blood and vessel walls in the interior of blood vessels — and subsequently applied a protein-based material. They hardened the whole structure with light, and then delicately removed the fibers, leaving behind a complex network of hollow cell material. After a week, those cells organized themselves into stable capillaries. The study found that cells inside the bioprinted vascular networks survived, differentiated, and proliferated at better rates than cells that received no nutrient supply. (VentureBeat)