



HEADWATERS | MB

HEADWATERS TMT MUST READ LIST  
BEST ARTICLES FROM THE WEEK OF  
JULY 14TH, 2014

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### Deal News

**21<sup>st</sup> Century Fox / Time Warner** – Time Warner rejected Rupert Murdoch and 21<sup>st</sup> Century Fox's recent \$80 billion takeover offer, stating that the company would fare better on its own. They cited internal plans for shareholder wealth creation that are superior to those of Fox and an untimely selling period as the primary reasons. The bid is Murdoch's largest to date and proposes the largest media deal since AOL's \$164 billion acquisition of Time Warner in 2000. The traditional content producers can only stay competitive by merging, analysts say. This could be the third media M&A deal of at least \$45 billion this year, showing a massive consolidation trend in the sector. In February, Comcast purchased Time Warner Cable for \$45.2 billion, and in May, AT&T purchased DirecTV for \$48.5 billion. Murdoch is seeking to create a colossus in the television and film industries at a time when both face pressure from the growing power of cable companies like Comcast and online video giants like Google, Amazon, and Netflix. ([DealBook](#))

**Liberty Global / ITV** – John C. Malone's Liberty Global agreed to buy a minority stake in the British broadcaster ITV, further expanding the international cable company's reach into Europe. Liberty Global, which has spent billions of dollars to acquire several cable businesses across Europe, is buying the 6.4 percent stake from the British Sky Broadcasting Group for \$824 million (£481 million). Analysts said Liberty Global's move could lead to further consolidation in Europe's telecommunications and media industries. Over the last two years, providers including Liberty Global, Vodafone of Britain and Telefónica of Spain have spent billions of dollars to acquire fixed-line and mobile telephone networks. The companies also have increasingly signed media content deals to gain access to television programs, films and music to meet the demands of their European customers. ([DealBook](#))

**Portugal Telecom / Oi** – Portugal Telecom and Oi of Brazil said that they had renegotiated the terms of their planned merger to salvage a deal threatened by the financing problems of the Espírito Santo group, which is controlled by Portugal's most powerful family. As part of the revised merger plan, Portugal Telecom will receive a 25.6 percent stake in the merged entity, down from almost 40 percent when the deal was announced in October. That accounts for the failure of one of the Espírito Santo companies to repay on schedule a loan of \$1.2 billion (€900 million), from Portugal Telecom. Oi operates one of Brazil's largest wireless networks, and the merger would create a company with more than \$19 billion in annual revenue. ([DealBook](#))

**GTECH / International Game Technology** – Italian lottery and gaming company GTECH made its largest acquisition to date with its purchase of IGT, a provider of slot machines and casino management software. The Reno-based software company was acquired for \$3.52 billion in cash and \$1.17 billion in stock for a total of \$4.7 billion. Total transaction value amounted to \$6.4 billion when IGT debt was included. GTECH will reduce reliance on Italy's gambling market and take a bigger bite in the \$430 billion global gambling industry. GTECH is funding the deal with part of the proceeds from a \$10.7 billion bridge loan. ([Bloomberg](#))

**Integrated Whale Media / Forbes Media** – Forbes Media agreed to sell a majority stake in itself to a consortium of Asian investors, concluding a protracted sales process in which a number of prospective bidders dropped out. The terms were not disclosed, but the transaction values Forbes Media at \$475 million, said a person close to the deal. Forbes's new controlling shareholders will be Integrated Whale Media Investments, a group that includes the Hong Kong investor Tak Cheung Yam and Wayne Hsieh, the Singaporean co-founder of Asustek Computer. Bringing in the Integrated Whale Media investors will furnish Forbes with new capital and the promise of further international expansion of the Forbes brand. ([DealBook](#))

**Realty Holdings / ZipRealty** – Realty Holdings, a real estate brokerage holding has acquired real estate software platform company ZipRealty for \$166 million. \$147 million will purchase ZipRealty's outstanding shares and \$19 million will satisfy the exercise of outstanding ZipRealty options. The \$6.75 per share buyout came at a 117% premium to ZipRealty's \$3.11 closing price the day before. Realty will gain a software platform and lead generation services to spread across its brands, including Coldwell Banker, Century 21, Sotheby's, and others. This is the second largest premium offered in 2014. ([GeekWire](#))

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### Financing / IPO News

**TubeMogul** – TubeMogul had a strong first day of trading as a public company, rising nearly 50 percent in midday trading. The company went public for \$7 per share, and is currently trading in the \$10.30 range. The IPO, however, came with caveats. The \$7 per share price was dramatically under its initially proposed pricing range of \$11 to \$13. And, to help get the thing out the door, prior investors had to buy \$25 million of the shares offered in the deal. The initial S-1 filing indicated that it would seek to raise \$75 million, but at \$7 a share, it raised a slimmer \$43.75 million. The basement price of the shares and the use of prior investors to shore up orders were both likely indicative of limited pre-IPO demand for the company’s equity, according to a source with intimate knowledge of the VC industry and IPO process. ([TechCrunch](#))

**Line** – Line Corp., operator of Japan’s popular mobile messaging service, filed for an IPO in the U.S., taking a step closer to a dual-listing in New York and Tokyo. Line is a free messaging service that makes money by asking its 470 million some users in 230 countries to pay for teddy bear icons and games. The company also submitted an application for an IPO to the Tokyo Stock Exchange, according to a July 16 statement. The offering could value the company at more than \$9.9 billion (¥ 1 trillion). Morgan Stanley is underwriting in the U.S. while Nomura Holdings is underwriting in Tokyo. ([Bloomberg](#))

**Fangdd** – As some Chinese cities relax curbs on housing purchases, Fangdd, which operates a Chinese real-estate platform connecting property sellers to home buyers, has locked in \$80 million in a Series B round. Shenzhen-based Fangdd operates a mobile platform that aids real-estate transactions between buyers and sellers. It will use proceeds from its latest round of funding for product development, increasing its headcount and to expand across the country, said Lightspeed China Partners Managing Director Ron Cao, one of the investors in the new round. CDH Investments’ venture capital arm and Vision Knight Capital also participated. In the first six months of this year, Fangdd’s platform has seen more than \$8 billion (¥ 50 billion) worth of real-estate transactions, and is aiming for ¥ 150 billion worth of transactions for all of 2014, said Mr. Cao. Some cities in China have now started easing bans on people owning multiple homes, a restriction that was originally aimed at cooling the country’s property market. Moreover, the central bank has recently encouraged banks to grant mortgages to address falling home sales. ([Wall Street Journal](#))

**Lumeris** – Essence Group Holdings, a Maryland Heights-based developer of cloud-based technologies for the health care industry, has raised \$71 million from Kleiner Perkins, Camden Partners, Sandbox Industries, among others. Their solutions suite provides operations, technology, and consulting services to improve quality, cost, and patient and physician satisfaction. Essence operates as Lumeris. As of April 2012, Essence employed 550 people in St. Louis, Boston and Hyderabad, India. The company had annual revenue then of \$500 million. ([St. Louis Business Journal](#))

**Funding Circle** – Online business lending specialist Funding Circle announced it has raised \$65 million in a Series D funding round led by Index Ventures with participation from existing investors, Accel Partners, Union Square Ventures and Ribbit Capital. The company said the latest funding would be used to continue to fuel the company’s global growth, expand product ranges and explore new international markets. Launched in 2010, Funding Circle’s marketplace allows small businesses to borrow \$25,000 to \$500,000 directly from thousands of investors, including people and government in US and UK, and institutional lenders. The marketplace lender is on track to lend \$600 million in 2014. ([EWeek](#))

**Pond5** – Stock video and photo site Pond5 just raised its first institutional funding round: a hefty \$61 million led by Accel and Stripes Group. In a vague statement, the company shares that its new capital will be used to drive “global growth, hiring, and product development.” Accel’s John Locke gave Pond5 quite the endorsement, likening its marketplace to Etsy. Pond5 touts that its collection of 15 million media clips and “millions of stock photos” positions the company as a “key creative resource for the global media production industry.” ([VentureBeat](#))

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### Industry News

**Apple / IBM** – We now live in a world where Apple and IBM, two former PC industry rivals, are working together in a big way. The two companies announced a major new partnership that will see IBM pushing its apps and services on Apple's iPhone and iPad for businesses. IBM will also sell Apple's mobile devices to its enterprise customers. While the partnership is surprising, it makes sense for both companies: IBM gets a foothold into valuable business customers, which are already adopting iOS devices. And Apple gets a partner who already offers plenty of enterprise-grade solutions, enabling Apple to continue focusing on the consumer market. ([VentureBeat](#))

**Microsoft Layoffs** – In a public announcement, new Microsoft chief Satya Nadella revealed that the company will cut up to 18,000 jobs in the next year. Nearly 70%, or 12,500, of those will affect Nokia employees. Microsoft bought Nokia's cellular division last spring, bringing on 25,000 Nokia employees. Nadella said Microsoft plans to add "new roles in certain other strategic areas" but made no promises in regards to the number of jobs Microsoft will create. ([VentureBeat](#))

**Ad Spend** – Adobe released its latest ad data report for search ads, noting that U.S. search ad spend grew about 9 percent year-over-year, mostly through click growth. For the full year, which includes the traditionally stronger fourth quarter, Adobe expects that spend will increase between 10 and 12 percent. The overall analysis is based on looking at over 200 billion search impressions worth roughly \$2 billion from over 500 Marketing Cloud users that use Adobe's programmatic advertising platform. Unsurprisingly, the leader in search ad spend is Google, which currently commands 78 percent of this market among Adobe's customers. Cost-per-click, one of the main indicators of Google's success, is up slightly by 4 percent year-over-year. Mobile ad spend passed tablet spend and rose from 10 percent to 15 percent. ([TechCrunch](#))

**Mobile Wallets** – 40% of people who make payments with their smartphones are more likely to use their Google Wallet than their actual wallet, according to Nielsen's Q2 2014 Mobile Wallet Report. At 47 and 53 percent, respectively, men and women are almost equal users, while the highest usage of mobile payments occurs at income levels below \$50,000 (32 percent) and higher than \$100,000 (29 percent). More than half of the people who pay with their phones belong to the 18-34 demographic, though 35 percent of users are between the ages of 35 and 54. But how do these companies convert the remaining 60%? Sixty-nine percent of consumers agreed that they'd convert to mobile payment methods if merchants were to offer discounts specific to purchases made via mobile wallet. In another study done by PayPal, found that for those who choose not to make mobile payments, security is the primary reason. ([ClickZ](#))

### And on a lighter note...

**49ers Levi's Stadium** – This week marks the opening of Levi's Stadium as the new home of the San Francisco 49ers. With the largest first level in the NFL, it's the technology behind the stadium that's having fans buzzing. Fans will be treated to arena-wide WiFi, with more than 1,000 access points scattered throughout the stadium. It will have 40 Gbps of connectivity coming in, which is about 40 times the capacity of even the most connected stadiums out there. The stadium will have an app that will allow fans to instantly watch replay from their mobile devices in the stadium, choosing from a variety of different camera angles. That app will also feature paperless ticketing and the ability to order food and drinks directly from your seat. ([TechCrunch](#))