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BEST ARTICLES FROM THE WEEK OF
SEPTEMBER 8TH, 2014

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Deal News

Alliance Data Systems / Conversant – Credit card processor Alliance Data Systems Corp said it will buy Conversant Inc. for about \$2.3 billion in cash and stock to boost its digital marketing business. The \$35 per share offer comprises \$16.80 in cash and the rest in stock, based on a fixed exchange ratio, Alliance Data said. The offer represents a 31 percent premium to Conversant's stock price on the Nasdaq before its trading was halted on Thursday. Shares of Conversant, formerly known as ValueClick, were trading at \$35.50 after markets closed. Alliance shares were up 3.5 percent in extended trading. Conversant will be part of Epsilon, Alliance Data's online marketing unit that has partnered with Twitter Inc. and Facebook Inc. to help advertisers better target customers through loyalty programs. Alliance said it expects Epsilon to generate about 35 percent - or more than \$2 billion - of revenue and more than 500 million in adjusted earnings before interests, tax, depreciation and amortization, following the acquisition. The Dallas, Texas-based company also expects the acquisition to add about 50 cents to core earnings per share in the first year after the deal's close and about 75 cents in the next, excluding transaction costs. The deal is subject to regulatory approval and is expected to close by the year-end. ([Reuters](#))

Rakuten / Ebates – The Japanese e-commerce giant Rakuten has its eye on America. On Tuesday, the company agreed to buy Ebates, an online rebate site in the United States that allows people to earn cash back when buying goods at stores like Macy's and Home Depot. The price was \$1 billion. The acquisition is the latest international move by Hiroshi Mikitani, the billionaire co-founder and chief executive of Rakuten, whose businesses also include the Rakuten online marketplace, a travel agency, credit cards and a Japanese baseball team called the Tohoku Rakuten Golden Eagles. The spate of deals, including the \$900 million acquisition of the Internet messaging application Viber this year, comes as Rakuten tries to reduce its reliance on the company's home market. The purchase of Ebates, which is based in San Francisco and which provides cash-back services for about 2,600 retailers and generated revenue of \$167 million last year, will give Rakuten a beachhead in the United States e-commerce market, where companies like Amazon and eBay are dominant. ([DealBook](#))

Microsoft / Mojang – Microsoft could be in talks to purchase Mojang, the creator of *Minecraft*, *The Wall Street Journal* reported Tuesday. According to the *Wall Street Journal's* source knowledgeable about the investigation, the deal could be valued at nearly \$2 billion and could close this week. *Minecraft* is one of the world's most successful games currently, with more than 50 million copies sold across PC, Xbox 360, PlayStation 3 and mobile. The game came to PlayStation 4 and Xbox One consoles last week. *Minecraft*, an open world game with an iconic, boxy art style, was originally the product of one man, Markus Persson. Persson made the game in 2009 for PC, before it moved to other platforms. It has grown in popularity with both children and older gamers, partially due to a vast world that allows players to build anything they can imagine. ([Mashable](#))

Global Cash Access Holdings / Multimedia Games Holding Company – Global Cash Access Holdings is getting into the casino gaming business, spending about \$1.2 billion to buy Multimedia Games Holdings. Both companies make machines found on casino floors. Global Cash Access makes ATMs and cash-advance kiosks, while Austin, Texas-based Multimedia Games makes video slot machines. Las Vegas-based Global Cash Access is paying \$36.50 for each share of Multimedia Games. That's a 31 percent premium from Multimedia Games' closing price of \$27.78 on Friday. The deal is expected to close early next year. Shares of Multimedia Games Holding Co. soared 28 percent in premarket trading Monday. ([Washington Post](#))

Ericsson / Fabrix Systems – Ericsson is set to acquire Fabrix Systems, a provider of cloud storage, computing and network delivery for video applications, for \$95 million. The strategy behind the acquisition of Fabrix Systems is to extend Ericsson's TV and media portfolio by adding processing and delivery applications such as cloud DVR and video-on-demand (VOD) expansion. Ericsson said the acquisition enables new services and migration to cloud DVR deployments in all TV platforms including Ericsson MediaFirst and Ericsson Mediaroom. ([Telecom Lead](#))

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Financing / IPO News

Twitter – Twitter wants more cash. The company announced two \$650 million debt offerings in a filing today, each with a potential \$100 increase provided that the sales are oversubscribed. Assuming full tip, including the \$100 million boosters, Twitter will raise up to \$1.5 billion with the two offerings. Half the debt will be due in 2019, and the other half in 2021. The company famously raised \$1.82 billion in its initial public offering. In its most recent quarterly report, Twitter stated that it had cash and equivalents of \$2.1 billion, down approximately \$100 million from the end of its sequentially preceding quarter. The company has demonstrated appetite for large deals. It famously almost picked up SoundCloud. Twitter also has a \$1 billion credit facility open to it. A separate SEC filing released today changed the amount of aggregate indebtedness that Twitter may have in conjunction to that facility, raising the cap to \$3 billion. ([TechCrunch](#))

Rocket Internet – German startup incubator Rocket Internet is planning an initial public offering, according to a statement on its site. Rocket Internet is most known for creating copy-cat companies — replicas of Internet companies that have already found success. The company will float a roughly 15% stake in the company in an initial public offering worth close to \$970 million or €750 million euros, Reuters reports. The IPO will list on the Frankfurt Stock Exchange, the company said in a statement. Rocket Internet has been busy lately, perhaps building up to this IPO. In August it raised just over \$1 billion dollars from strategic investments and by selling a 10.7% stake to United Internet, according to Forbes. Last week it consolidated five of its ecommerce sites from around the world into one giant called GFG. ([VentureBeat](#))

Square – Digital cash register and wallet Square may be in the process of raising another \$100 million dollar round as competition heats up in the digital payments sphere. Not much is known about this potential new round of funding, except that it could raise Square's valuation to \$6 billion. Jack Dorsey reportedly signed off on the sale of a new round of stock valued at \$15.46 a share, according to Forbes. This contrasts recent rumors that alleged Square was raising a \$200 million round at a \$6 billion valuation. To date the company has raised over \$440 million dollars. Square has been building up a portfolio beyond its cash register to include analytics, scheduling, and invoicing tools. The company has also built an investment arm to lend money to small businesses. Most of its newest features focus on serving small businesses. But let's not forget about Square's peer-to-peer money exchanging app, Square Cash, which just rolled out a new pay by text feature. Apparently these additions are edging out the competition by providing a more robust product offering to its consumers. ([VentureBeat](#))

Jawbone – San Francisco consumer electronics device maker Jawbone will announce this week that it will be opening up access to its Up app software that will allow it to be used on other smartphones, watches and wearables. That includes the new health-focused wearable that Apple is expected to introduce this week, as well as Google Android Wear devices and Microsoft's Windows Phone. It also means its software will be able to suck in data garnered from rival devices like Fitbit and render it on Jawbone's app. The move is obviously aimed at proliferating its software beyond its own Up band, trying to turn it into a platform. In addition, Jawbone will allow device makers to make their own products that communicate directly with the Up system via an open protocol, without being required to make a companion app. ([Re/code](#))

Taboola – Taboola Inc., based in New York but founded in 2007 in Tel Aviv, is seeking to raise \$75 million to \$100 million from investors in a U.S. roadshow, people familiar with the situation said. The company has hired Credit Suisse Group to lead the fundraising, these people said. The company hopes the funding round will value Taboola at between \$900 million and \$1.2 billion, according to one of these people. Taboola last month disclosed an annual revenue run rate—a metric that estimates future performance based on a company's most recent results—of \$250 million. It lists among its clients USA Today, the Huffington Post, Time and the Weather Channel. The company says it generated more than 150 billion content recommendations to over 400 million unique visitors every month. ([WSJ](#))

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Industry News

A Smartwatch, iPhone 6 and More: Highlights and Analysis from Apple’s Keynote – Apple on Tuesday announced two new versions of the iPhone, the 6 and the 6 Plus, both with bigger screens than their predecessors. It also introduced a payments system that integrates with its smartphones. With a nod to the late Steven P. Jobs, Apple’s chief, Timothy D. Cook, also teased the crowd that one more thing would be coming. Company executives then announced Apple Watch, a wearable device, which is its first new product under Mr. Cook’s leadership. And Mr. Cook ends the event in a manner that has quickly become familiar: by showing a video. So that is a wrap. New phones, new payment system, new smartwatch from Apple. Nothing totally unexpected. What remains unknown, though, is whether these new devices, especially the watch, and the payment service will take off among consumers. No company has yet had a big hit with a smartwatch, and company after company has stumbled with mobile payments. ([New York Times](#))

Mobile video ad spend will reach \$1.5B by the end of the year – Mobile video ads could be the final frontier in the nascent mobile advertising space. U.S. ad firms and marketers will spend about \$1.5 billion on mobile video ads by the end of 2014, up from the \$722 million spent last year. Mobile video ads accounted for nearly 19 percent of all digital video ad spending last year, a number that will climb to nearly 26 percent by the end of this year, according to eMarketer principal analyst David Hallerman. “And by the year 2018, the number will quadruple to over \$6 billion. This is huge growth,” Hallerman said. “And let’s look at the big picture,” he added. “Mobile video ads are important.” Incredibly, there are no clear leaders in the space, unlike straight mobile ads, which Google dominates. Facebook is No. 2 in the space, followed by Twitter. The latter two companies posted astronomical growth in the mobile ad space in their second quarter results. Still, mobile video ads accounted for just 1 percent of all the U.S. ad spend last year, Hallerman said. That total ad spend also includes the old bricks-and-mortar world of print (remember that?), radio, and outdoor advertising. ([VentureBeat](#))

It’s the End of the Road for Freemium Cloud Services – “The first goal of a startup is not to go bust. And going bust is very easy to do if you are a freemium company, if you don’t choose the features right.” Professor Vineet Kumar, who researches the freemium business model, couldn’t have better summed up the situation in cloud storage today. After five years of betting on growth from the consumer upwards, cloud storage startups are finally waking up to the bottom line. Macroeconomic trends have rendered “land and expand” obsolete. The “Big Four” cloud players — Google, Amazon, Microsoft and Apple — are offering terabytes of data storage for less than the cost of a glass of cabernet. Especially in the enterprise realm, outside players face two choices. Carve a niche, or plan for an exit, but quickly, before the tech bubble bursts. Those still betting on the freemium strategy will face annihilation. ([VentureBeat](#))

And on a lighter note...

Intel’s Connected Wheelchair – It’s not just light bulbs and thermostats joining the Internet of things — Intel has now given the wheelchair a new layer of connectivity. On Tuesday, the company announced its newest smart device in partnership with world-renowned physicist Stephen Hawking. The new connected wheelchair was designed by a team of engineering interns at Intel as part of the company’s Intel Collaborators program. The device monitors vitals of the person sitting in the chair, including blood pressure, heart rate and body temperature. It also collects information on the user’s surroundings, allowing them to rate accessibility of different locations. Hawking worked with the engineers at Intel for more than 10 years to develop the device. ([Mashable](#))