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BEST ARTICLES FROM THE WEEK OF

SEPTEMBER 22ND, 2014

Deal News

DirecTV / AT&T – Shareholders of satellite TV service provider DirecTV have voted in favor of accepting a very lucrative acquisition offer by communications company AT&T, the companies announced. AT&T announced its plans to take over the satellite TV company back in May, with the deal being worth $48.5 billion, as VentureBeat previously reported. The move would give AT&T a nationwide TV service that could theoretically compete with the likes of Netflix, Hulu, and others while also giving the telecom another service to bundle with its wireless data, broadband Internet, and phone services. DirecTV said 99 percent of its shareholders voted in favor of the AT&T deal, which still needs federal regulatory approval before becoming official. The companies expect the deal to gain that approval by early 2015, but that might be wishful thinking based on the number of major decisions the Federal Communications Commission still has to deal will as well as the amount of negative attention the deal is getting from critics. (VentureBeat)

Millennial Media / Nexage – Mobile-advertising company Millennial Media Inc. said Tuesday that it has reached a deal to buy privately held advertising technology firm Nexage for $107.5 million as it looks to improve its capabilities in real-time ad markets. Millennial said $22.5 million comprises the cash portion of the deal, with the balance coming through about $85 million in stock, while Nexage shareholders will receive about 37 million newly issued shares in Millennial. Millennial said it expects Nexage's platform—which helps automate sales and purchases of mobile ads—to complement its legacy business and associations with advertising agencies. (WSJ)

AT&T-Chernin (Otter Media) / Fullscreen – Otter Media, a joint venture of AT&T and the Chernin Group that was established for investments, acquisitions and launches of over-the-top video services, has purchased a majority share in online video company Fullscreen, a producer of music and shows that are distributed through the YouTube network. Otter Media's acquisition of the stake represents the latest move of a TV company in pushing to offer program services through the Internet. Chernin Group, Comcast, and WPP made a $30 million investment in a Series A round over a year ago. The acquisition will value Fullscreen at $200 million to $300 million, according to sources that are familiar with the matter but wish to remain anonymous as the terms have not been made public. (TechTimes)

Blackhawk Network / Parago – Blackhawk Network, a leading prepaid and payments network announced today a definitive agreement under which Blackhawk will acquire all outstanding shares of Parago, Inc. for approximately $290 million. Parago is a leader in providing global incentive and engagement solutions that drive customer acquisition, employee retention and enable and engage channel sales partners. The acquisition will add significant capabilities to Blackhawk's already extensive incentive solutions business. Blackhawk is acquiring the shares of Parago for approximately $290 million in cash, subject to adjustment, and plans to finance the purchase using cash on hand and approximately $200 million in new borrowings under an expansion of its current credit facility. "We expect the acquisition will be meaningfully accretive in 2015, adding $24 million to $28 million in adjusted EBITDA and $8 million to $10 million in adjusted net income", said Jerry Ulrich, Blackhawk's chief financial and administrative officer. (CNN)

Conifer Health Solutions / SPi Healthcare – Conifer Health Solutions, the nation's leading provider of technology-enabled healthcare performance improvement services, has entered into a definitive agreement to acquire SPi Healthcare, a provider of innovative revenue cycle management (RCM), health information management (HIM) and software solutions for independent and provider-owned physician practices. Conifer expects to complete the transaction, valued at $235 million, in the fourth quarter of 2014. John O'Donnell, SPi's chief executive officer, will join Conifer's senior management team reporting to Stephen M. Mooney, President and CEO. Based in Tinley Park, Illinois, SPi provides business operations services to physician practices and independent practice associations (IPAs). In addition to specialized RCM solutions including denials management, SPi provides recovery audit contractor (RAC) audit defense and preparedness services and ICD-10 gap analysis and education. The organization also offers payer contract management and software consulting capabilities, including a demonstrated expertise with Epic and GE Healthcare electronic health records (EHRs). (MarketWatch)

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Financing / IPO News

CyberArk – CyberArk Software has become Boston's first broadly focused cybersecurity company to go public in two decades, with an initial public offering that saw strong demand from investors and raised $86 million. CyberArk joins the ranks of established security software firms with a major Massachusetts presence including EMC-owned RSA, Kaspersky Lab, and Symantec. It's the first IPO of a local data security company that serves all industries since the forerunner of RSA, Cambridge's Security Dynamics Technologies, went public in 1994. Lexington's Imprivata provides security software for health care and went public in June, but CyberArk is "the first IPO in many years of a pure information security play out of Boston," CyberArk chief executive Udi Mokady said today. CyberArk is jointly headquartered in Newton and in Israel; about 100 of the company's nearly 400 employees are based in Newton, as is Mokady. (BetaBoston)

Hootsuite – Hootsuite, the Vancouver-based startup known for its social media management dashboards, has raised $60 million in new venture funding, CEO Ryan Holmes told Re/code**.** The new funding values the six-year-old company in the ballpark of about $1 billion, according to a source familiar with the matter. Holmes wouldn't comment on the company's valuation, but did say it has more than doubled since landing a massive $165 million Series B last August. The latest funding was led by a new Boston-based investor that Hootsuite hasn't revealed, as well as existing investors Insight Venture Partners, Accel Partners and OMERS Ventures. The company has raised a total of $250 million. Hootsuite recently hit 10 million users — it was at 7 million last August — and has 600 employees, twice the size from a year ago. Hootsuite already has offices in London and Singapore, and the new funding should help it continue to expand internationally. The company plans to open a Latin America office before the year is out, and wants to continue its growth in Asia, Holmes said in an interview. (Re/code)

Magnitude Software – Magnitude Software, a leading provider of Enterprise Information Management (EIM) software, today announced it has secured up to $100 million in capital investment led by Audax Group, a leading middle market private equity firm, and a significant personal investment by Chris Ney, the company's chairman and chief executive officer. Magnitude Software will use the investment to further build the company through product innovation, organic growth and strategic acquisitions. "Every company is under increasing pressure to manage and govern information across the enterprise, and to deliver this information faster and more consistently than ever before," said Magnitude Software CEO Chris Ney. "This investment, coupled with our laser focus on customer success, presents us with an incredible opportunity to deliver unprecedented product and services innovation to customers in every industry in this high-growth EIM market." (VentureBeat)

Radius – Marketing automation software, which delivers sales prospects to customers, has generated some big companies–last year, Marketo Inc. went public and has a market cap of $1.26 billion, and HubSpot Inc. filed in August to raise up to $100 million in an IPO. Radius Intelligence Inc. founder and Chief Executive Darian Shirazi thinks his company can do it better by taking a Big Data approach. The San Francisco-based company has raised another $54.7 million from Founders Fund and several other new and current investors, taking total funding to about $80.1 million. Valuation for the Series C funding is not disclosed but is up more than three times, Mr. Shirazi said. VentureWire reported the company's valuation last year as less than $100 million. (WSJ)

Qualtrics – A good form turns out to be surprisingly valuable to have: Qualtrics just closed a $150 million fundraising round led by Insight Venture Partners, Accel Partners, and Sequoia Capital, valuing the company at more than $1 billion. The funding round makes Qualtrics at least the second online survey company to join the billion-dollar club; SurveyMonkey raised an investment round last year with a reported valuation of $1.3 billion. These valuations are based on the desire of businesses to know what their customers are thinking. The market research industry brings in $21 billion in annual revenue, according to IBISWorld. In general, selling software subscriptions to corporate clients can be good business because it creates a recurring revenue stream. And no one really wants to switch vendors once they've trained employees to use a certain system. (Businessweek)

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Industry News

Marc Andreessen sounds warning on start-ups burning cash – Fretting over a possible downturn in Silicon Valley is now a mainstream pursuit. Marc Andreessen, the prominent venture capitalist, took to Twitter on Thursday to warn against excessive spending by start-ups that have attracted capital from investors. Companies that spend money on fancy offices or too many employees, he said, could be in trouble when the market turns. Mr. Andreessen is one of several technology insiders to recently raise such concerns. DealBook reported in August that, with capital flowing freely and start-up valuations soaring, some start-ups were policy against leaner times. Bill Gurley, a partner at the venture capital firm Benchmark, warned in an interview with The Wall Street Journal that "no one's fearful, everyone's greedy, and it will eventually end." Fred Wilson, a partner at Union Square Ventures, later about excessive "burn rates." (DealBook)

Swrve finds that only 1.35% of players spend money in mobile games – The number of players who pay for virtual goods in mobile games declined from 1.5 percent in January to 1.35 percent in July, according to a study of millions of gamers by mobile-marketing-automation firm Swrve. In an exclusive interview with GamesBeat, Swrve chief strategy officer Hugh Reynolds and Swrve CEO Christopher Dean said they found that 62 percent of all mobile-game revenues come from 0.13 percent of all players. Those are scary and depressing numbers for developers and publishers, as they rely on virtual-goods purchases for most of their revenue in free-to-play mobile titles. "This shows how game companies are dependent on a small group of people who are paying the bills," Reynolds said. (VentureBeat)

Report: 85% of iPhone 6 buyers are repeat iPhone customers – Bigger screens for the iPhone 6 and iPhone 6 Plus aren't convincing many fandroids to switch over to iOS — at least not yet. Data from 5,703 shoppers on the weekend of Sept. 12-14 from Slice Intelligence found 85% had previously bought an iPhone. About two thirds were upgrading from either an iPhone 5 or an iPhone 5S. Those percentages may change. Opening weekend is likely to draw more repeat customers than casual users on other platforms, who might be waiting for the initial product reviews from the press and fans. Apple has also reached out to Android fans with this site designed to help such customers as they move data from their old phones to an iPhone 6 or 6 Plus. (Mashable)

And on a lighter note…

Ello, Ello? New 'No Ads' Social Network Ello Is Blowing Up Right Now – In March a new social network launched promising the opposite business model to Facebook, i.e. not selling ads based on user data and instead relying on, perhaps, paid premium features to keep going. Ello then sunk without a trace until, in the last 24-48 hours or so, activity on the site completely blew up. And this is a pretty basic social network with the bare minimum of features. Why? A combination of factors. (TechCrunch)