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HEADWATERS TMT MUST READ LIST
BEST ARTICLES FROM THE WEEK OF
JULY 27TH, 2015

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Deal News

Honeywell / Elster – Honeywell is buying metering giant Elster for \$5.1 billion from Melrose Industries. Melrose purchased Elster three years ago for \$2.3 billion. Since then, Elster increased profits substantially, despite the substantial slowdown in metering contracts after the American Recovery and Reinvestment Act (ARRA) ended. At the end of 2014, Elster reported that profits were up two-thirds since the company was acquired by Melrose. Bringing together Elster's metering with Honeywell's controls, both in homes and commercial buildings, offers an opportunity for deeper energy and water management for utilities and end-use customers. But Honeywell is not paying a premium for Elster simply for a strong metering solution to marry with its building controls and energy management offerings. "It is likely that Elster's other businesses, its connections to emerging markets, and its leaner structure feature prominently into the surprising \$5.1 billion acquisition figure," said GTM Research's Kellison. ([Greentech](#))

McGraw Hill / SNL Financial – McGraw Hill Financial Inc. agreed to buy SNL Financial LC for \$2.2 billion in cash in a deal announced Monday, nearly five times what the financial data provider was worth four years ago when private-equity firm New Mountain Capital LLC purchased a 60% stake. New York-based McGraw Hill outmaneuvered a handful of media and financial-data companies in its pursuit of the Charlottesville, Va.-based SNL, according to people familiar with the matter. The pursuers included Hearst Corp., which has a majority ownership stake in bond grader Fitch Ratings, as well as financial data provider FactSet Research Systems Inc., according to a person familiar with the matter. A Hearst spokesman declined to comment. A FactSet spokeswoman didn't immediately respond to a request for comment. McGraw Hill's tie up with SNL caps a string of pricey deals for data-driven companies as the market for firms selling obscure financial intelligence on banks, commodities and real estate attracts a bigger audience and entrenched firms look to expand. ([WSJ](#))

Delphi / HellermannTyton – The auto parts supplier Delphi Automotive said on Thursday that it had agreed to acquire HellermannTyton Group, a British maker of electronic cable equipment, for 1.07 billion pounds, or about \$1.7 billion. The deal is expected to complement Delphi's existing business of providing electronics components to the auto industry and to enhance its business in Asia, where HellermannTyton has a 15 percent to 20 percent growth rate, the companies said. More than half of HellermannTyton's sales in 2014 were to the automotive industry and its suppliers. Delphi, based in Gillingham, England, manufactures components for the automotive industry, including security systems, fuel injection technology and driver interface systems. ([NYTimes](#))

Zegona / Telecable – Zegona, the company set up by the former Virgin Media finance director Eamonn O'Hare, said on Monday it had bought Spanish cable operator Telecable for an enterprise value of 640 million euros (\$706.24 million). The deal puts the newly-listed company at the centre of a wider consolidation move in the Spanish cable sector. Zegona, set up to buy and run businesses in the European technology, media and telecoms sector, said it would fund the acquisition with a combination of 251 million pounds (\$389.8 million) of new equity, backed by institutional investors, funds from Zegona's recent float and a new debt facility arranged by Goldman Sachs. The announcement comes a few days after Euskaltel agreed an offer for rival cable company R Cable. ([Reuters](#))

Columbus / Magnetek – Columbus McKinnon and Magnetek, Inc announced that they have entered into a definitive agreement for Columbus McKinnon to acquire all of the outstanding shares of Magnetek for \$50 per share for a total value of \$188.9 million. Magnetek designs and manufactures digital power and motion control solutions for material handling, elevators and mining applications. The transaction combines complementary strengths to create more competitive and comprehensive material handling solutions for customers. The agreement has been approved unanimously by the Boards of Directors of both companies and Magnetek's Board of Directors has unanimously recommended that its shareholders tender into the offer, which is anticipated to commence on or before August 5, 2015, by a wholly-owned subsidiary of Columbus McKinnon. All of the members of Magnetek's Board of Directors and executive officers, together with Fundamental Global Investors, LLC, have entered into agreement to tender the shares beneficially owned by them into the offer. ([StreetInsider](#))

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Financing / IPO News

Uber – Uber Technologies Inc. has closed a new round of funding valuing the five-year-old ride-hailing company at close to \$51 billion, according to people familiar with the matter, equaling Facebook Inc.'s record for a private venture-backed startup. Uber raised close to \$1 billion in the round, one of the people said, bringing its total funding to more than \$5 billion. The San Francisco company initially had briefed investors on a plan to raise between \$1.5 billion and \$2 billion in the round, The Wall Street Journal reported in May. Investors in the latest round include Microsoft Corp. and the investment arm of Indian media conglomerate Bennett Coleman & Co., another person familiar with the matter said, as Uber seeks allies to help bolster its technology and expand in large markets outside the U.S. Uber's valuation has now reached the high-water mark set by Facebook in 2011, when Goldman Sachs offered wealthy clients outside the U.S. shares of the social network that implied a \$50 billion valuation, not including the money raised. ([WSJ](#))

Stripe – Payment processing company Stripe is now valued at \$5 billion following its latest round of financing. Beyond adding more money to its coffers, the five-year-old company inked a deal with Visa which will see the duo work together on a range of projects, including digital transactions and security. Investors that participated in this round included KPCB, Visa, Amex and Sequoia. Stripe didn't confirm exactly how much money it raised — other than that it is below \$100 million — but its new valuation represents a large jump on the \$3.5 billion valuation it held when it closed its most recent \$70 million round in December. ([TechCrunch](#))

DraftKings – DraftKings, one of the top daily fantasy sports companies, has raised \$300 million in new funding led by 21st Century Fox's Fox Sports unit. The deal also calls for DraftKings to spend roughly \$250 million on ads with the TV company over the next three years, according to sources familiar with the agreement. The funding values DraftKings at more than \$1.2 billion, according to multiple sources, and comes just two weeks after rival FanDuel raised \$275 million. It looks like a good deal for Fox, which invested around \$150 million in DraftKings. It will get equity — roughly 11 percent of the company, these sources say — plus the \$250 million in ad revenue in return. DraftKings CEO Jason Robins and Fox Sports President and COO Eric Shanks confirmed that an ad commitment is part of the deal, but declined to comment on the terms. This funding round includes a number of other investors, from VC firms like Atlas Ventures and the Raine Group to pro sports leagues like Major League Baseball, the National Hockey League and Major League Soccer. Sports ownership groups like the Kraft Group (New England Patriots) also invested. ([re/code](#))

GitHub – GitHub, the software development collaboration and version control service based on the popular open source Git tool, today announced that it has raised a \$250 million funding round led by Sequoia Capital. Andreessen Horowitz, Thrive Capital and Institutional Venture Partners also participated in this round. The company, which was founded back in 2008, has now taken a total of \$350 million in outside funding. While the company isn't talking about its valuation, the WSJ reports that it's currently hovering around \$2 billion. GitHub's 2012 Series A round was led by Andreessen Horowitz. At the time, the company's valuation was said to be around \$750 million. ([TechCrunch](#))

BuzzFeed & Vox – NBCUniversal is poised to make a pair of investments in the digital media start-ups BuzzFeed and Vox, seeking to appeal to younger millennial viewers who are abandoning traditional media, according to executives with knowledge of the negotiations. The film and television group, owned by Comcast, is close to investing \$250 million in BuzzFeed, known for its trending quizzes and lists and a relatively recent expansion into journalism. The deal would value BuzzFeed at about \$1.5 billion, said the executives, who spoke on condition of anonymity because the deal terms were private. NBCUniversal also is in talks to invest an unknown sum in Vox Media, the home of a stable of sites including the sports brand SB Nation, the tech site The Verge and the news site Vox.com, at a valuation of about \$850 million, the executives said. ([NYTimes](#))

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Industry News

Can Asia Create the Next Silicon Valley? – With Internet giants like Alibaba Group Holding and an increasing number of technology startups valued at more than \$1 billion, can Asia become the next Silicon Valley? That was one of the questions raised at the Converge tech conference in Hong Kong Thursday. “China has done phenomenally. I don’t think it’s any longer a second-class citizen to Silicon Valley,” said SoftBank Group Corp. President Nikesh Arora, a former Google executive who joined the Japanese Internet group in September to lead its overseas expansion. SoftBank has invested in a number of fast-growing Asian startups such as Chinese taxi-hailing app Didi Kuaidi, Indian online marketplace Snapdeal.com and Singapore-based taxi-hailing app GrabTaxi. ([WSJ](#))

Artificial Intelligence Arms Race – Scientists and tech experts - including professor Stephen Hawking and Apple co-founder Steve Wozniak - warned Tuesday of a global arms race with weapons using artificial intelligence. In an open letter with hundreds of signatories, the experts argued that if any major military power pushes ahead with development of autonomous weapons, "a global arms race is virtually inevitable, and the endpoint of this technological trajectory is obvious: autonomous weapons will become the Kalashnikovs of tomorrow." Some people have argued in favor of robots on the battlefield, saying their use could save lives. Such weapons are still years away. ([Associated Press](#))

Could Microsoft and AOL Take on Google and Facebook? – With the recent deal between AOL and Microsoft, the two companies hope to combine their respective strengths to become an advertising supernova. AOL will take over the management and sales of display, mobile and video ads on Microsoft ads around the world. In exchange, Microsoft's Bing will displace Google as the engine powering the search results and ads on AOL's sites. That isn't expected to roll out until January, though the two companies have already started training one another on their respective strategies. AOL's famous barbell strategy, which chief executive (CEO) Tim Armstrong coined to refer to connecting programmatic advertising and marketing services with data and analytics, applies to this integration. Working with brands on products such as Skype and Xbox, Microsoft's sales strategy tends to be very content-based, while AOL is very strong programmatically. ([Clickz](#))

And on a lighter note...

The World’s Fastest Supercomputer – President Obama has signed an executive order launching a program to build the world’s fastest supercomputer, beating out China’s Tiane-2. ([Gizmodo](#))