



# Generation *Equity* Advisors

Technology and Digital Media Investment Banking

## Digital Media M&A – Q3 2011 Update



November 21, 2011

**Generation Equity Advisors, LLC** is an independent investment bank and M&A advisory firm focused exclusively on the global *Software, IT Services and Digital Media* industry sectors. We advise buyers and sellers of companies and efficiently execute transactions to increase shareholder value. Our professionals have advised on \$10+ billion in M&A transactions to date and have current relationships globally with technology and media companies as well as leading private equity firms.

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**Data Sources:** *The 451 Group, Thomson Reuters, BIA/Kelsey, PaidContent.org, Generation Equity Advisors Research, and Company websites.*

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## Q3 2011 – M&A Update

Mergers and acquisitions slowed significantly in Q3 2011, hindered by economic uncertainty that stifled the confidence and growth projections of corporate executives.

The few companies eager to seize on opportunities are bumping up against reluctant lenders.

High-yield debt that serial acquirers in the private equity world rely on for deal-making has become harder to find, in part because troubled European banks are bowing out of financing deals. Private-equity backed M&A, which typically relies heavily on high-yield financing, is down 22 percent from Q2 2011.

Announced M&A deals for the volatile Q3 will have declined about 23% from the previous three months, according to Thomson Reuters Deals Intelligence, as stock market fluctuations, the European debt crisis and the U.S. budget stalemate put many planned deals on hold.

The good news is that well-capitalized companies such as **United Technologies, Google, IBM, Dell, Xerox** and **Oracle** can get financing when they want it.

Once economic and geopolitical clouds clear, deal books will circulate again. Regardless, smaller M&A transactions are getting done and are expected to remain strong for the next few quarters.

The global deal count for the first nine months is up 20 percent over last year, mostly due to strength in the first half of the year, the data shows. Deals in Q3, through September 22, fell to \$539 billion from \$699 billion in the previous quarter (Q2 2011), according to Deals Intelligence.

Europe and Asia Pacific have been hit particularly hard, with deals in each region falling 34% from the previous quarter.

### FINANCING WOES

The lack of financing for deals involving non-investment-grade companies is a significant cause of the drag. A number of deals have gone sideways, but are likely to be resurrected when the markets rebound.

Investment-grade companies have had more luck but even they have bumped up against tighter lending as banks fret over the effects of the European debt crisis.

### DIGITAL MEDIA M&A TRANSACTION HIGHLIGHTS

There were 45 M&A transactions in the digital media sector. Highlights and most active acquirers in Q3 2011 include:

- **Google** acquires **Motorola Mobility Holdings** for \$12.5 billion and also acquired **Punchd Labs** and **IBM's** mobile patents for its Android system.
- **eBay** acquires **Zong** for \$240 million
- **Augme Technologies** acquires **HipCricket** for \$44.5 million
- **Skype Technologies (MSFT)** acquires **GroupMe**

## Q3 2011 – Digital Media M&A (Announced)

Selected M&A Transactions for the quarter ending September 30, 2011

Ann.	Acquirer	Target	Target Abstract	Val./ Rev.	(\$ in MM) Deal Amt.
9/28/11	Intel Corporation	Telmap	Location-based software provider		
9/28/11	Wireless Matrix Corporation	SkyGuard (assets)	GPS tracking systems assets		
9/27/11	Ubisense Group	Integrated Mapping Services	GPS & GIS mapping software		\$1.7
9/22/11	QuoteMedia	Stockgroup Media	Mobile stock application assets		
9/22/11	Velti Ltd	Air2Web	Mobile marketing software provider		\$19.0
9/22/11	World of Avatar	MXit	Mobile IM software provider		
9/21/11	Wolfson Microelectronics	Dynamic Hearing Pty	Audio processing software provider		\$5.1
9/20/11	VITEC Multimedia	ATEME S.A	Video encoding systems assets		
9/19/11	Garmin	Garmap (Pty)	GPS map content provider		
9/19/11	Slepe Communications	Liquid Drop	Online text messaging software		
9/15/11	Bitzio	FreeTheApps	Smart phone application developer		
9/12/11	Mobile Interactive Group	Zaypay International B.V.	Mobile payment processing SaaS		
9/9/11	Allied Technologies Limited	SetOne	German set-top box provider		
9/8/11	Adobe Systems	IRIDAS (certain assets)	Color enhancement software assets		
9/8/11	Thought Equity Motion	Panvidea	Video content delivery SaaS		
9/8/11	TruePosition	Rosum Corporation (IP portfolio)	GPS systems & software IP		
9/6/11	ClearOne Communications	MagicBox	Content delivery systems provider		
8/30/11	CNN Worldwide	Zite	Mobile content aggregation software		
8/22/11	Skype Technologies / MSFT	GroupMe	Mobile messaging software provider		
8/17/11	BlackBem Partners	Cadec Global	GPS-based fleet management s/w		
8/16/11	Electronic Arts	Bight Interactive	Mobile & online videogame developer		
8/16/11	Zynga	Astro Ape Studios	Mobile videogame developer		
8/15/11	Google	Motorola Mobility Holdings	Mobile device provider	0.8	\$12,500.0
8/8/11	Thalia	textunes GmbH	Mobile e-book reader software		
8/5/11	HTC Corporation	Dashwire	Mobile content synchronization SaaS		\$18.5
8/4/11	Augme Technologies	HipCricket	Mobile marketing services assets	4.7	\$44.5
8/3/11	Wilhelm Sihh Jr. GmbH	2wcom Systems	Digital broadcasting systems manu.		
8/2/11	Energy King	Venue Media	Mobile marketing & advertising		
8/2/11	Glu Mobile	Blammo Games	Canadian mobile game developer		\$4.6
7/29/11	Google	IBM's mobile patents	Android OS-focused patents		
7/29/11	mediba	Nobot	Japanese mobile advertising apps		
7/28/11	INRIX	ITIS Holdings	Traffic information SaaS provider		\$60.0
7/26/11	DIMOCO	Agent Factory	German mobile software provider		
7/22/11	Research In Motion	JayCut	Online video editing software		
7/21/11	HaiVision Network Video	KulaByte Corporation	Streaming video software & systems		
7/21/11	HaiVision Network Video	MontiVision Imaging Tech.	Software development		
7/20/11	Trimble Navigation	PeopleNet	Fleet managment systems provider		
7/19/11	Exclaim Mobility	Thinking Screen Media	Content delivery software assets		
7/19/11	MAGIX AG	yellow tools (assets)	Audio recording software assets		
7/15/11	ProconGPS	CalAmp Corp.	GPS systems & software assets		
7/12/11	Bitzio	Empire Group	Mobile entertainment application dev		
7/12/11	Phunware	GoTV Networks	Mobile content distribution software		
7/8/11	Google	Punchd Labs	Mobile customer rewards application		
7/7/11	BMC Software	Aeroprise	Mobile systems management s/w		
7/7/11	eBay	Zong	Mobile payments software provider		\$240.0

Source: The 451 Group

## Digital Media Public Market Valuations

Selected Digital Media Companies' Public Market Valuations as of November 21, 2011

Public Market Valuations (\$ in millions)								*Stock Price 11/21/2011	
Sector	Company	Market Cap*	Most Recent Q		Enterprise Value	LTM		Ent. Val. / LTM	
			Debt	Cash		Revenue	EBITDA	Revenue	EBITDA
Consumer/ Advertising	Google	\$189,090	\$7,260	\$42,560	\$157,370	\$35,760	\$13,450	4.4x	11.7x
	Yahoo!	18,640	39	2,110	16,950	5,190	1,410	3.3	12.0
	IAC	3,290	96	865	2,630	1,910	240	1.4	10.9
	WebMD	1,830	800	1,100	1,540	577	149	2.7	10.4
	AOL	1,400	113	444	1,100	2,220	383	0.5	2.9
	Demand Media	608	0	79	541	314	60	1.7	9.0
							<b>Mean</b>	<b>2.3x</b>	<b>9.5x</b>
E-Commerce	Amazon.com	\$86,060	\$0	\$6,330	\$83,320	\$43,590	\$1,750	1.9	47.6
	eBay	37,110	2,540	4,010	37,010	10,770	3,070	3.4	12.1
	Priceline	23,780	575	2,400	22,910	4,100	1,340	5.6	17.1
	Expedia	7,180	1,650	2,010	6,970	3,800	896	1.8	7.8
							<b>Mean</b>	<b>3.2x</b>	<b>21.1x</b>
Interactive	ValueClick	\$1,300	\$145	\$99	\$1,370	\$506	\$144	2.7	9.5
	Constant Contact	626	0	128	510	204	18	2.5	27.9
	LivePerson	622	0	81	574	127	26	4.5	22.3
Marketing	Digital River	614	354	664	325	384	54	0.8	6.0
	QuinStreet	436	104	145	396	401	71	1.0	5.6
	ReachLocal	254	0	94	171	356	9	0.5	19.1
	Marchex	195	0	35	170	136	13	1.3	12.7
							<b>Mean</b>	<b>1.9x</b>	<b>14.7x</b>
							<b>Total Mean</b>	<b>2.4x</b>	<b>14.4x</b>
							<b>Total Median</b>	<b>1.9x</b>	<b>11.7x</b>

Source: Capital IQ, SEC Filings, Company press releases.

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