

# VENTUREDEAL M&A ANALYSIS

Research and opinion on recent M&A  
transactions.

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November 2017

VentureDeal

# ServiceNow To Acquire SkyGiraffe For Mobile Platform

IT software firm [ServiceNow \(NOW\)](#) has [announced an agreement](#) to acquire [SkyGiraffe](#) for an undisclosed amount.

SkyGiraffe has created a platform that makes it easier for enterprises to build and deploy mobile versions of their IT environments.

ServiceNow is acquiring the technology, in conjunction with another recent acquisition to improve user interfaces, to enable its client base to more quickly develop mobile applications using their data and SkyGiraffe's middleware and database connectors.

## Target Company

San Mateo, California,-based SkyGiraffe was founded in 2012 to develop software to enable businesses to use their back-end data to more easily create mobile applications.

Management is headed by co-founder and CEO Boaz Hecht, who was previously a consultant for Cornerstone Innovation and Deloitte.

SkyGiraffe's technology offerings include three elements:

- Front-ends - iOS and Android apps, SDK and REST API
- Middleware - Studio that enables users to configure data sources
- Connectors - Software that connects to cloud or on-premises back-end systems

The firm raised \$10.5 million in disclosed funding from firms such as SGVC, Trilogy Equity Partners and others.

## Market and Competition

According to a 2016 Research and Markets report on the outlook for the [Mobile Enterprise Application Market](#), the firm expects it to grow from \$48 billion in 2016 to \$98 billion in 2021.

This represents a CAGR of 15.24%, which is dramatic growth in percentage terms from an already large base.

The main drivers for this expected growth include:

“Increase in smartphone penetration, enhancement in connectivity and productivity of both employees and organizations, growing demand for real-time information capture, and organizations' continued focus to make their business processes mobile-ready due to increase in mobile workforce are some of the driving forces in the market.”

(Source: [Mobile Enterprise Application Market](#))

However, ServiceNow will face daunting competition from major competitive vendors that provide mobile app development platforms:

- Accenture ([ACN](#))
- IBM ([IBM](#))
- Infosys ([INFY](#))
- Oracle ([ORCL](#))
- Salesforce ([CRM](#))
- SAP ([SAP](#))
- Tata Consultancy

There also is significant competition from numerous smaller firms due to market fragmentation.

### **Acquisition Terms and Rationale**

Neither firm disclosed the acquisition price or terms and ServiceNow didn't file an 8-K or disclose a change in financial guidance, so it is likely the acquisition price was for a non-material amount to NOW's \$21.6 billion market cap.

NOW intends to integrate SkyGiraffe's technology into its Now Platform by 2018, supporting both online and offline applications.

The firm also related the deal to its [recent acquisition](#) of UK interface firm Telepathy, which will assist clients in designing better user interfaces.

As ServiceNow stated in the deal announcement, the main benefit of the acquisition is,

“... that (ServiceNow's) customers and partners will be able to build mobile apps in days, not months, utilizing no/low-code tools and design templates. There will be no need to write cumbersome code or scripting. Native mobile app experiences are expected to include maps, live GPS, phone, contacts, email, rich media and notifications.”

So, the SkyGiraffe transaction is an important step for ServiceNow. Assuming they didn't overpay for it and can promptly integrate it into their offerings, it makes complete sense to offer clients a simpler way to "mobilize" their applications.

# Delphi Automotive Agrees To Acquire nuTonomy For \$450 Million

## Quick Take

[Delphi Automotive \(DLPH\)](#) has [announced an agreement](#) to acquire [nuTonomy](#) for up to \$450 million in upfront and contingent consideration.

nuTonomy is developing software to enable autonomous driving in a range of vehicles.

With the deal, Delphi is making a significant investment in self-driving vehicle technology, and it will continue to require major investment to further develop these nascent technologies into safe and marketable products.

## Target Company

Cambridge, Massachusetts-based nuTonomy was founded in 2013 to create software-based solutions for self-driving vehicles and autonomous robots that OEM's can use to automate transportation solutions.

Management is headed by co-founder and CEO Karl Iagnemma, who was previously a Principal Research Scientist at MIT.

The firm's main approach is through its 'nuCore' software, which is a 'modular system for perception, mapping, localization, motion planning, decision making and control.'

nuTonomy says that to-date its system has been deployed on five different vehicle models on three continents.

Investors have funded \$19.6 million in disclosed investment to-date and include venture capital firms such as Highland Capital Partners, Signal Ventures and Fontinalis Partners (Bill Ford) as well as corporate investor Samsung Ventures.

## Acquisition Terms and Rationale

Delphi has agreed to pay \$400 million upfront and \$50 million in contingent consideration. Management didn't file an 8-K or provide any change in financial guidance.

With the deal, Delphi wants to bolster further its development efforts to provide what it calls 'Automated Mobility on-Demand' solutions to automakers and ride-hailing services worldwide.

As Delphi CEO Kevin Clark stated in the deal announcement,

"We are delighted to welcome Karl, Emilio, and their talented team to Delphi. The combination of the nuTonomy and Ottomatika AD teams, along with Delphi's industry-

leading portfolio of perception systems and smart vehicle architecture solutions, further enhances our competitive position as the industry's most formidable provider of autonomous mobility solutions. This transaction is another example of our ongoing dedication to developing, implementing, and commercializing the highest performing and safest AD system available.”

Delphi [acquired Ottomatika](#) in 2015. Ottomatika was a spinoff from Carnegie Mellon University and had previously received investment from Delphi.

In addition to Ottomatika, Delphi acquired data service firms Control-Tec and Movimento as part of its autonomous driving efforts.

So, Delphi plans to add nuTonomy's 100 employees to its existing 100-person Ottomatika team and says the resulting combination will have operations in Singapore and various U.S. locations.

The deal for nuTonomy is a coup of sorts for Delphi. Since 2016, nuTonomy been testing its software system in live driving in Singapore, which has proven to be receptive to the addition of self-driving autos on its less-crowded areas.

Other companies such as Alphabet ([GOOG](#)) (NASDAQ:[GOOGL](#)) and Tesla ([TSLA](#)) are perceived to be further along in their development efforts, but nuTonomy is a promising fast-follower in the space.

The race is on for self-driving technologies to become more mainstream, but the hardest part of full autonomy is still ahead of these risk-taking companies, and they will likely need significant and continuous investment to reach their ambitious goals.

## Digi Acquires TempAlert For Smart Monitoring Technology

### Quick Take

Wireless technology company [Digi International](#) ([DGII](#)) has [announced the acquisition](#) of [TempAlert](#) for \$45 million in upfront cash plus future earnouts.

TempAlert provides real-time temperature monitoring products integrated with its software platform.

With the acquisition, Digi is continuing to build a significant market presence in the Internet of Things temperature monitoring and task management space, as management executes an acquisition strategy in the wake of takeover interest by Belden ([BDC](#)).

## Target Company

Boston, Massachusetts-based TempAlert was founded in 2005 to develop remote monitoring devices and related software to improve efficiency, quality control and compliance for enterprises.

Management is headed by founder and CEO Harry Schechter, who was previously co-founder and CTO of Doceus.

TempAlert's system is composed of wireless sensors, bluetooth probes for foodservice applications and an integrated, web-based software system that monitors and alerts users to temperature anomalies.

The firm provides its offering to healthcare, foodservice, industrial and transportation industries.

Outside investment in TempAlert is unknown, so it may have been bootstrapped by the founder or simply didn't announce its investment.

## Acquisition Terms and Rationale

Digi paid \$45 million in upfront cash and unspecified 'future earn out incentives.' Digi didn't disclose any change in financial guidance or file an 8-K, so it appears the transaction, other than using cash (or possibly incurring debt), won't have a material financial impact in the current period.

With the acquisition, Digi hopes to expand its footprint with TempAlert's 20,000 customer sites, including marquee customers such as Wal-Mart ([WMT](#)), CVS Health ([CVS](#)), SpaceX, Apple ([AAPL](#)), Coca-Cola ([KO](#)), McDonald's (MCD) and others.

Management also reiterated strong support for TempAlert's existing solution but also indicated it would invest further in enhancements and integration with its own systems.

As Ron Konezny, Digi president and CEO stated in the deal announcement,

"The acquisition of TempAlert doubles our Smart Solutions team to over 100 professionals, allowing us to offer our customers unprecedented domain expertise and support. This acquisition firmly establishes Digi as a leader in condition-based monitoring, such as temperature and vibration, task management solutions and analytics."

So, it appears Digi will pursue a multi-pronged approach with its TempAlert buy: invest in TempAlert's existing capabilities and customer base and integrate its technologies into Digi's existing offerings.

This is further confirmed by the appointment of TempAlert CEO Harry Schechter in a 'leading role in [Digi's] IoT strategy going forward.'

The deal for TempAlert is Digi's fourth acquisition in the past two years.

Digi is continuing to acquire firms to speed its ambitions to lead the temperature monitoring and task management Internet of Things space in the U.S.

Tech supplier Belden [proposed to acquire Digi](#) in November 2016 when DGII was at \$9.00 but was ignored by Digi.

Although Digi's stock subsequently popped on the BDC interest, it dropped on the DGII disinterest back to its \$9.00 price. In recent months it has risen to around \$11.00.



(Source: [SEEKING ALPHA](#))

In any event, DGII management isn't standing still with ambitious acquisitions such as TempAlert.

Whether they were prodded by Belden's proposal or are executing on their own strategy, developing a significant presence in the growing Internet of Things space organically or by acquisition seems a smart bet to me.