

VENTUREDEAL M&A ANALYSIS

Research and opinion on recent M&A
transactions.

EchoStar Acquires
Helios Wire For IoT
Tech

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Acquire Freeman &
Co. For FIG Team

Roku To Acquire
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Side Ad Buying Tech

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VentureDeal

EchoStar Acquires Helios Wire For IoT Tech

Quick Take

EchoStar Global ([SATS](#)) [announced](#) it has acquired Helios Wire for an undisclosed amount.

Helios Wire operates as a satellite-enabled machine to machine [M2M] and Internet of Things [IoT] connectivity company.

With the transaction, SATS is gaining high volume asset tracking and monitoring technologies to integrate into its unfolding vision of operating within hybrid networks in the fast-growing IoT industry.

Target Company

Vancouver, Canada-based Helios Wire was founded in 2016 to provide satellite-enabled, blockchain-based global connectivity solutions on the 30 MHz S-band spectrum priority mobile satellite system [MSS], allowing the firm to monitor up to 5 million units globally at once.

Management is headed by CEO [Scott Larson](#), who was previously CEO, co-founder, and Director of UrtheCast (TSE:UR).

Sirion Global, Helios' Australian-based subsidiary, is focused on developing high-volume asset tracking and monitoring software for satellites and owns global spectrum rights for S-band Mobile Satellite Service (MSS), administered by Australia.

Investors have invested at least \$6 million in the company.

Market

According to a [market research report](#) by Fortune Research Insights, the global IoT market was valued at \$120 billion in 2018 and is projected to reach \$1.11 trillion by 2026.

This represents a very strong forecast CAGR of 24.7% between 2019 and 2026.

The main drivers for this expected growth are continuous adoption of advanced technologies by businesses worldwide.

Major vendors that provide IoT solutions include:

- Google ([GOOG](#))
- Intel ([INTC](#))
- Microsoft ([MSFT](#))

- Cisco Systems ([CSCO](#))
- AT&T ([T](#))
- Oracle ([ORCL](#))
- Hewlett-Packard ([HP](#))

Source: [Sentieo](#)

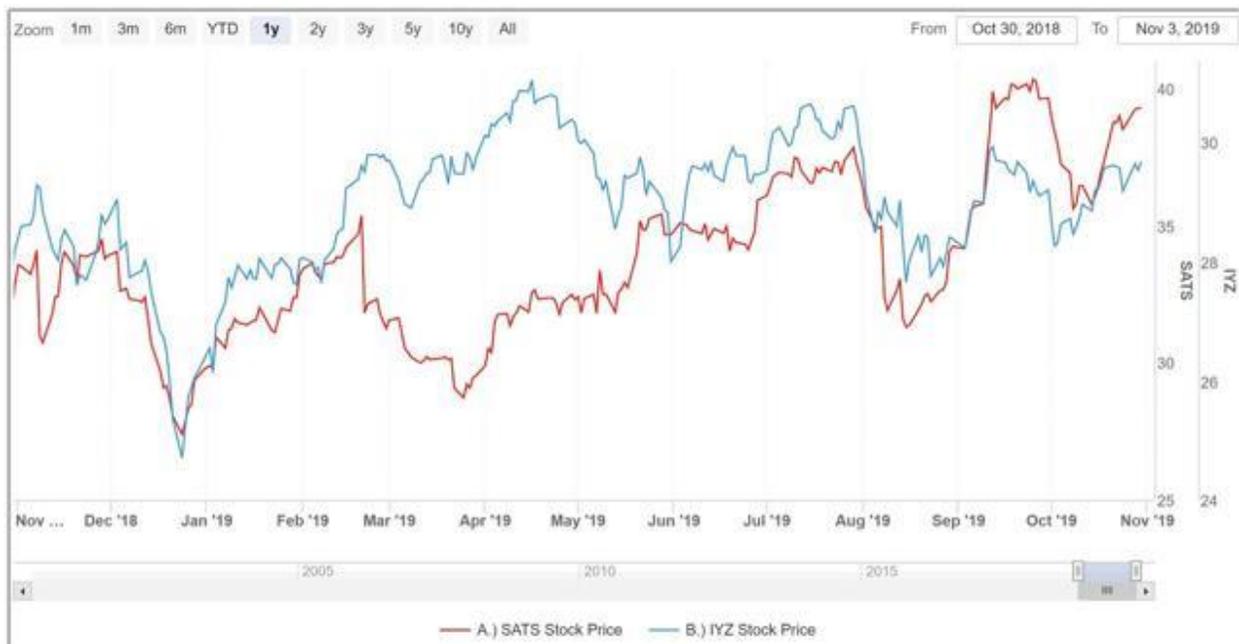
Acquisition Terms and Financial

EchoStar didn't disclose the acquisition price or terms and didn't file a form 8-K or provide a change in financial guidance as a result of the transaction, so the deal was likely for a financially non-material amount.

A review of the firm's most recent published [financial results](#) indicate that as of June 30, 2019, SATS had \$2.5 billion in cash and marketable securities and \$3.7 billion in total liabilities, of which \$2.55 billion was long-term debt.

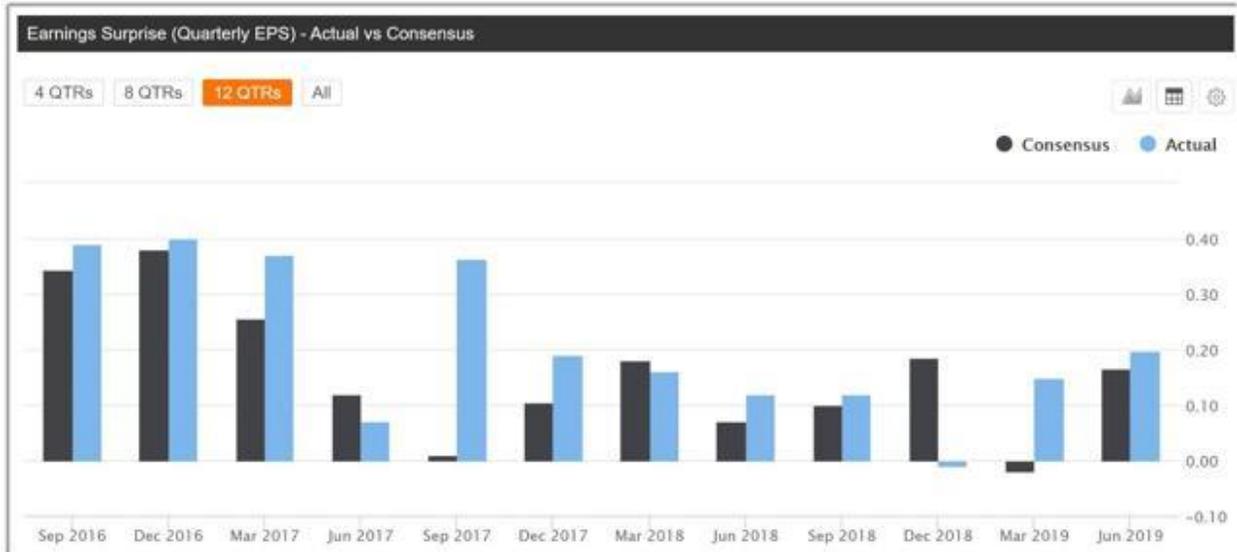
Free cash flow for the six months ended June 30, 2019, was \$161.3 million.

In the past 12 months, SATS' stock price has risen 15.06% vs. the U.S. Telecommunications industry's growth of 1.37%, as the chart indicates below:



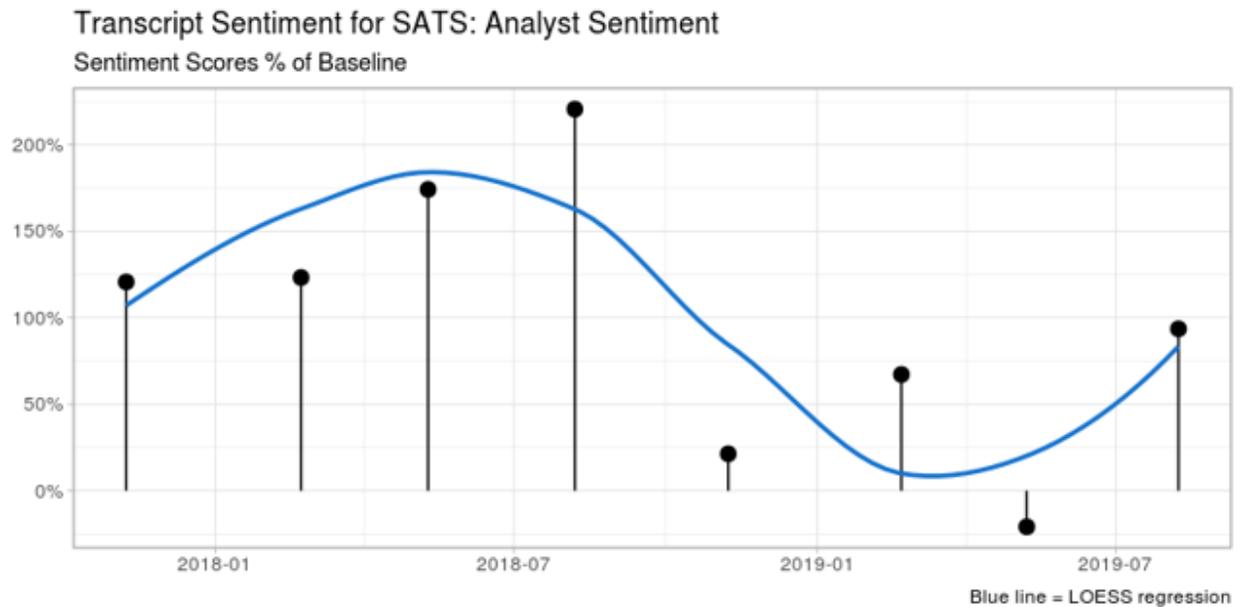
Source: Simply Wall Street

Earnings surprises have been positive in nine of the last twelve quarters, as the chart shows below:



Source: Seeking Alpha

Analyst sentiment in recent earnings calls has been uneven, as the linguistic analysis shows here:



Source: [Sentieo](#)

Commentary

SATS acquired Helios Wire for its Internet of Things and machine-to-machine technologies.

As Anders Johnson, Chief Strategy Officer at EchoStar stated in the deal announcement,

This acquisition advances our strategy and further lays the foundation for a global S-band solution for the future. Our aim is to develop S-band technologies that will dramatically reduce the cost of satellite IoT, including machine-to-machine (M2M) communications, public protection and disaster relief (PPDR) and other end-to-end services worldwide.

EchoStar envisions a future of global 'hybrid networks that leverage multiple satellites and terrestrial technologies' providing different pieces of value in a developing IoT stack.

With the deal, SATS will also gain Helios subsidiary Sirion Global's high volume asset tracking and monitoring application technologies.

Given the projected growth of the Internet of Things industry over the ensuing years, EchoStar is right to be making moves to create a robust offering for satellite-based, global machine-to-machine capabilities.

Houlihan Lokey To Acquire Freeman & Co. For FIG Team

Quick Take

Houlihan Lokey (NYSE:[HLI](#)) [announced](#) it has agreed to acquire Freeman & Co. for an undisclosed amount.

Freeman & Co. operates as an independent financial services advisory and strategic management consulting company.

With the smaller deal for Freeman, HLI is continuing to target and acquire at a moderate rate to fuel its goals for growth.

Target Company

New York-based Freeman & Co. was founded in 1991 to provide financial institution businesses with financial service advisory solutions.

Management is headed by founder and Chairman Jim Freeman.

Since its inception, the company has completed over 100 M&A and private placement transactions, whose most recent transactions include Electronic Transaction Clearing's acquisition by PEAK6, Petsky Prunier's acquisition by Canaccord Genuity ([OTCPK:CCORF](#)),

Janney's acquisition of FIG Partners, and Mercury Capital Advisors' announced acquisition by Investcorp.

Freeman's primary offerings include:

- Mergers and acquisitions advice
- Capital raising
- Underwriting
- Fairness opinions
- Restructuring advice
- Private company valuations

Company partners or major customers include:

- KippsDeSanto ([COF](#))
- Janney Montgomery Scott
- TraderTools
- Quarton ([COWN](#))
- First Empire

Source: [Company website](#)

Market & Competition

According to a [market research report](#) by IBIS World, the US investment banking and securities dealing market is projected to reach \$133 billion by 2019.

This represents a forecast CAGR of 2.7% between 2014 and 2019.

The main drivers for this expected growth are solid returns in various financial markets as well as continued macroeconomic growth.

Major vendors that provide investment banking and include:

- JPMorgan Chase ([JPM](#))
- Morgan Stanley ([MS](#))
- Bank of America ([BAC](#))
- Citigroup ([C](#))
- The Goldman Sachs Group ([GS](#))

Source: [Sentieo](#)

Acquisition Terms and Financial

HLI didn't disclose the acquisition price or terms and didn't file a form 8-K or provide a change in financial guidance, so the deal was likely for a financially non-material amount.

A review of the firm's most recent published [financial results](#) indicates that, as of September 30, 2019, HLI had \$305 million in cash and equivalents and \$33 million in 'loans payable and other liabilities.'

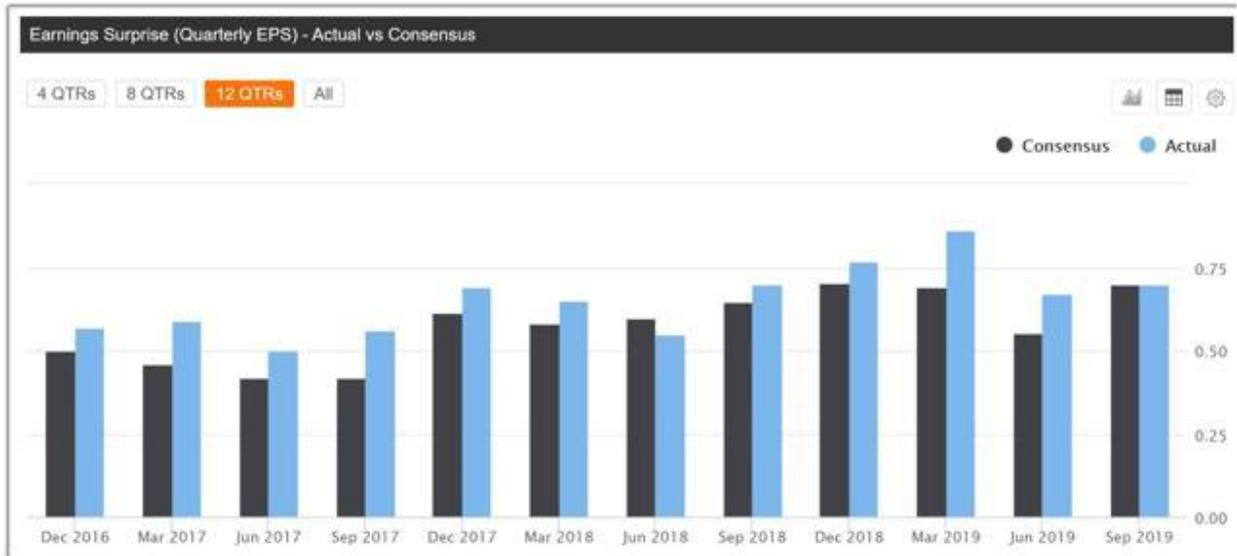
Free cash flow for the three months ended June 30, 2019, was a negative (\$110 million).

In the past 12 months, HLI's stock price has risen 13.7% vs. the U.S. Capital Market industry's rise of 9.3% and the overall U.S. Market's increase of 13.8%, as the chart and corporate events graphic indicates below:



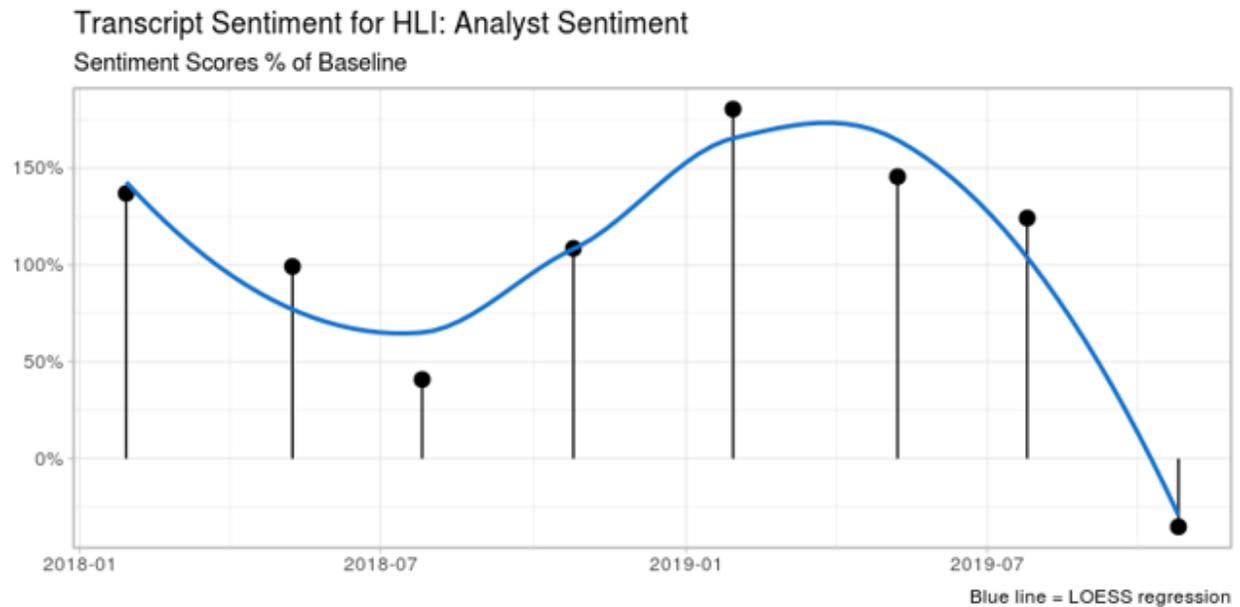
Source: Simply Wall Street

Earnings surprises have been positive in ten of the last twelve quarters, as the chart shows below:



Source: Seeking Alpha

Analyst sentiment in recent earnings calls has dropped markedly in recent months, as the linguistic analysis shows here:



Source: [Sentieo](#)

Commentary

HLI is acquiring Freeman & Co. primarily for its focus on financial institution groups.

As Bob Hotz, HLI's Vice Chairman and Co-Head of Corporate Finance stated in the deal announcement,

The addition of the Freeman team to our FIG Group in the U.S., combined with the acquisition in 2018 of Quayle Munro and its European financial institutions team, creates one of the largest, most experienced teams of financial services-focused bankers of any independent investment bank.

With the deal for Freeman, HLI gains two Managing Directors and one Senior Advisor, so it is a smaller deal for the firm.

However, as Scott Beiser, HLI CEO said in a recent earnings call, 'it's effectively a mid-sized group that will add to our bench strength in the FIG industry.'

Beiser also reiterated that the firm is 'very active' regarding acquisitions and is in 'various stages of dialogue with potential targets,' so I expect to see additional deals as HLI seeks to grow through acquisitions.

ROKU To Acquire Dataxu For Demand Side Ad Buying Tech

Quick Take

Roku ([ROKU](#)) [announced](#) it has agreed to acquire dataxu for \$150 million.

dataxu provides a demand-side platform with an automated bidding and self-serve software solution.

With the deal, ROKU is adding more capabilities to provide an integrated approach for access to its growing ecosystem of advertising opportunities.

Target Company

Boston, Massachusetts-based dataxu was founded in 2009 to help marketers optimize for business outcomes across TV, over the top [OTT], desktop and mobile environments through advanced TV and OTT media planning tools, a proprietary device graph, and data science.

Management is headed by Co-Founder, President and CEO [Mike Baker](#), who was previously Vice President of Nokia ([NOK](#)).

dataxu's primary offerings include:

- TotalTV
- TouchPoint
- OneView
- ClearSight

Company partners or major customers include:

- BBC
- Vodafone ([VOD](#))
- Universal Pictures ([CMCSA](#))
- Astro (KLSE:ASTRO)

Source: [Company website](#)

Investors have invested at least \$87.5 million in the company and include Flybridge Capital Partners, Blue Ivy Ventures, Green D Ventures, Castor Ventures, Alumni Ventures Group, Accomplice, Sky, and Atlas Venture among others. Source: [Crunchbase](#)

Market & Competition

According to a [market research report](#) by Allied Market Research, the global OTT market was valued at \$97.4 billion in 2017 and is projected to reach \$332.5 billion by 2025.

This represents a forecast CAGR of 16.7% between 2018 and 2025.

The main drivers for this expected growth are the growing demand for OTT and subscription video on demand [SVoD] in emerging countries, an increase in content, growing demand for live streaming channels and technological advancements.

The Asia-Pacific region is projected to grow at the highest annualized rate of 20.8% during the period due to the introduction of bundled OTT services alongside telecommunications providers' data plans.

Major vendors that provide OTT services include:

- Netflix ([NFLX](#))
- Amazon Web Services ([AMZN](#))
- Google ([GOOG](#))
- Hulu ([DIS](#))
- Facebook ([FB](#))
- Apple ([AAPL](#))
- Rakuten (([OTCPK:RKUNF](#)); TYO:4755)
- Telstra (([OTCPK:TLSY](#)); ASX:TLS)
- Tencent (([OTCPK:TCEHY](#)); HKG:0700)

- Microsoft ([MSFT](#))

Source: [Sentieo](#)

Acquisition Terms and Financial

ROKU disclosed the acquisition price and terms as '\$150 million in cash and shares of Roku Class A Common Stock.'

Per the 8-K, 'Aggregate consideration to be paid upon the closing of the Merger consists of \$75 million in cash and 571,516 shares of the Company's Class A common stock.'

Management didn't provide a change in financial guidance but said it would discuss the deal during its Q3 conference call.

A review of the firm's most recently published [financial results](#) indicates that as of June 30, 2019, ROKU had \$386.5 million in cash and short-term investments and \$360.1 million in total liabilities, with no long-term debt.

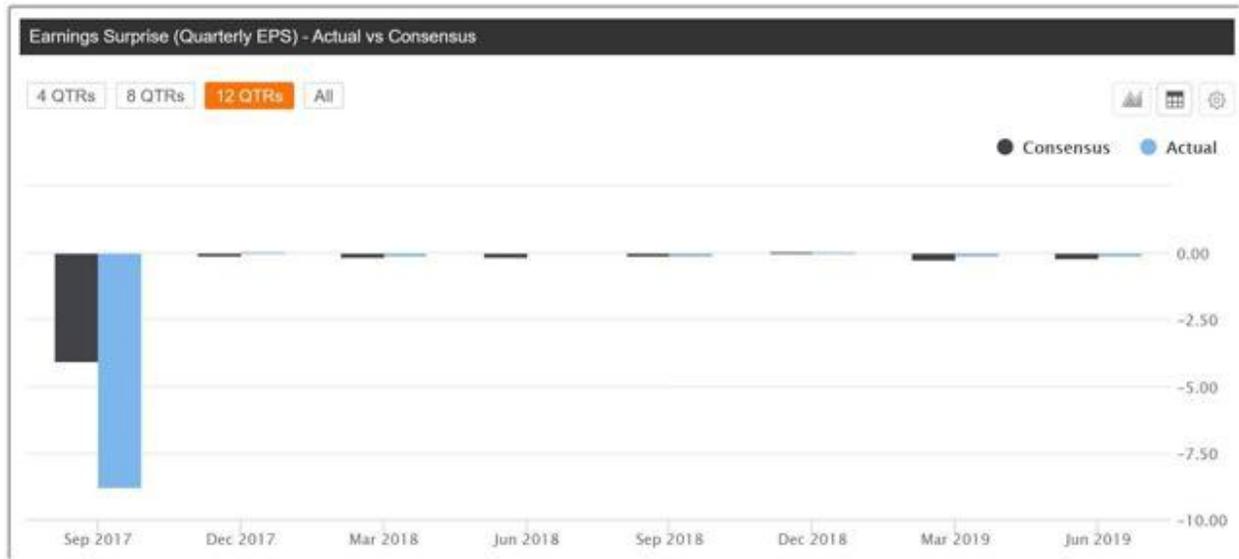
Free cash flow for the six months ended June 30, 2019 was a negative (\$9.1 million).

In the past 12 months, ROKU's stock price has risen 165.0% vs. the overall U.S. Market's rise of 12.9%, as the chart and corporate events graphic indicates below:



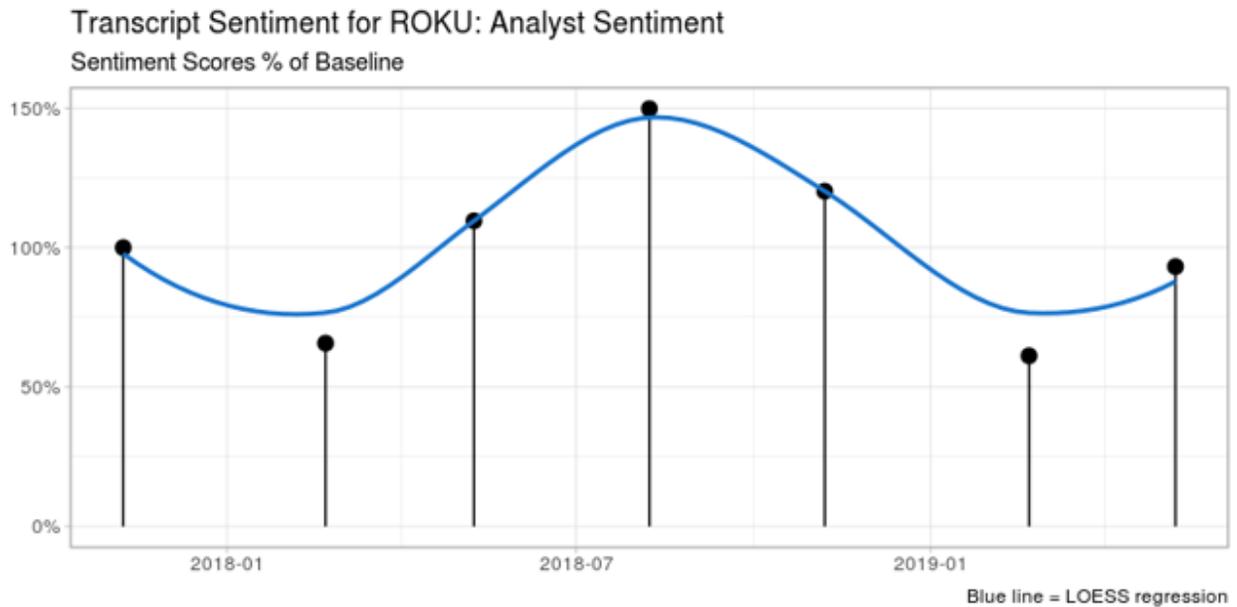
Source: Simply Wall Street

Earnings surprises have been positive for five quarters since Q3 2017, as the chart below shows:



Source: Seeking Alpha

Analyst sentiment in recent earnings calls has fluctuated markedly and is nearly evenly distributed, per the linguistic analysis here:



Source: [Sentieo](#)

Commentary

ROKU is acquiring dataxu for its demand side technology to enable advertisers to more easily and automatically purchase and analyze advertising placements.

As ROKU CEO Anthony Wood stated in the deal announcement,

TV advertising is shifting toward OTT and a data-driven model focused on business outcomes for brands. The acquisition of dataxu will accelerate our ad platform while also helping our content partners monetize their inventory even more effectively.

With the deal for dataxu, ROKU is gaining greater penetration into the OTT advertising buying market with a system that is enabled for TV, OTT, desktop and mobile environments.

dataxu also has significant expertise in optimizing campaigns for cross-device compatibility.

ROKU is seeking to provide a more integrated offering for its ecosystem and the dataxu purchase appears to be an excellent strategic buy as ROKU expands to offer a single-stop experience for advertisers.