



COMMERCIAL & CONSUMER TECHNOLOGY

M&A Soundcheck – Q1'18

Lofty Valuations and Massive PE and Strategic Buyer Interest Lead M&A Activity in Q1'18

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COMMERCIAL & CONSUMER TECHNOLOGY

Lofty Valuations and Massive PE and Strategic Buyer Interest Lead M&A Activity in Q1'18

M&A activity in 2018 is off to a very strong start, reflecting strong demand from private equity and strategic buyers as well as lofty valuations seen in both the public and private markets. It's been particularly busy for Commercial & Consumer Technology (CCT) M&A in Southern California, where two of the larger deals in the sector occurred with Amazon acquiring Ring for over \$1 billion and Foxconn affiliate FIT acquiring Belkin for over \$850 million. Both home grown Los Angeles-based companies play squarely in the connected home space.

Across the broader CCT markets, A/V integration remains a hot sector, with several deals occurring among mid-tier integrators and Snap AV continuing its acquisition spree following its recapitalization by Hellman & Friedman last year. Intrepid continues to be busy in this active market, closing the sale of **Radial Engineering**, a well-known manufacturer of accessories for professional musicians and live performance venues just in time for NAMM 2018.

We are excited about the robust backlog of opportunities and continued strong interest among acquirers for high-quality assets. If you are considering options for your business or would like to discuss any of these trends, please do not hesitate to reach out.

Thank you,

A handwritten signature in black ink, appearing to read "Gary Rabishaw".

Gary Rabishaw

Managing Director

Head of Commercial & Consumer Technology

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Musical Products

Hal Leonard Acquires Subsidiaries of The Music Sales Group

The largest educational music publisher in the world, Hal Leonard, acquired the physical and online printed music and Musicroom-branded retail businesses of The Music Sales Group for a reported \$50 million. The deal is the latest in a spree that has included eCommerce site Sheet Music Plus, play-along recording company Music Minus One, and piano score publisher Schaum Publications, all following the purchase of Hal Leonard by private equity firm Seidler Equity in 2016.



HAL • LEONARD®



Music Sales Group

Future Acquires Newbay Media

Future, a global platform for specialist media, acquired Music Week publisher Newbay Media in a deal worth \$14 million. The acquisition enhances Future's market leading position in music publishing and brings together *Music Week*, *Guitar World* and *Bass Player* with existing titles *Classic Rock* and *Metal Hammer*. The acquisition increases Future's total owned brands to over 100 with a global reach of more than 120 million people.



Regimen Equity Partners Acquires Radial Engineering

Regimen Equity Partners, in partnership with industry operator Mike Belitz, acquired our client, **Radial Engineering**, a world-renowned manufacturer and supplier of pro-audio interface technology, guitar effects, and acoustical treatment products. Radial maintains a brand portfolio that includes Radial, Primacoustic, Tonebone, Reamp, Hafler, Dynaco, Iso-Max, and Jensen Transformers. Radial's products are sold through a network of dealers and distributors in nearly 60 countries.

REGIMEN EQUITY
PARTNERS

Gator Cases Acquires Levy's Leathers

Gator Cases, a manufacturer of over 600 case products and accessories for the A/V music, band and pro audio market, acquired Levy's Leathers, a manufacturer of leather guitar straps and accessories. Levy's looks to use Gator's expertise in product development and its offshore facilities to expedite and enhance manufacturing and innovation capabilities. The acquisition further enhances Gator's already extensive accessory portfolio.



Splice Acquires Remix Platform Pioneer Indaba Music

Cloud-based music creation and collaboration tool Splice, known for giving users signature sound packs designed by electronic artists, has acquired remix platform pioneer Indaba. Indaba has provided its community with over a thousand opportunities to create, collaborate, and gain exposure over the years. Its most notable campaigns have featured artists such as Usher and Yo-Yo Ma. Splice will now expand remix competitions and begin to offer other activities designed to help musicians create and collaborate more.

splice



Bandlab Acquires Music Software Leader Cakewalk

Bandlab, who is best known for its stake in *Rolling Stone*, acquired Cakewalk, one of the world's oldest music software companies, from Gibson Brands. Gibson had recently ceased product development at Cakewalk to focus more on its own challenged financial condition. The acquisition is the latest in a series of acquisitions by Bandlab, including Chew, described as "twitch for DJs", and guitar brands Harmony and Teisco.



Spotify Acquires Music Licensing Platform Loudr

Spotify acquired Loudr, a music licensing platform that allows content creators, aggregators and digital music services to identify, track and pay royalties to music publishers. Spotify has historically experienced challenges related to licensing and royalty payments, having faced multiple copyright infringement lawsuits. Founded in 2013, Loudr had raised less than \$1 million dollars in funding.



Pro Audio/Visual

Plantronics Acquires Polycom for \$2 Billion

In what will likely be the most significant move in conferencing and collaboration equipment in 2018, headset maker Plantronics bought Polycom for \$2 billion in a cash and stock deal. The move comes only two years after Polycom was acquired by private equity firm Siris Capital. The acquisition positions Plantronics as the partner of choice for the communications and collaboration ecosystem and broadens its product suite to solve today's enterprise collaboration requirements and capitalize on opportunities associated with the intelligent enterprise.



AVI Systems Acquires Magenium Solutions

AVI Systems, a leading professional A/V system integration services provider, has acquired Magenium Solutions, a visual communications and services provider specializing in Microsoft competencies. AVI customers had requested deeper Microsoft integration skills, and AVI's acquisition of Magenium should bridge the gap while expanding AVI's North American presence and service offerings.



Guitar Center Acquires AVDG to Strengthen Its B2B Channel

Guitar Center acquired Audio Visual Design Group (AVDG), a leading A/V integrator and major Crestron retailer. AVDG will operate as Guitar Center's dedicated Business Solutions Group. The acquisition significantly strengthens Guitar Center's historically rich yet often forgotten B2B channel, and will allow AVDG to compete with the "big three" commercial integrators. The acquisition will also consolidate the group's residential verticals, allowing Guitar Center to penetrate the residential market by leveraging AVDG's reputation in system design and installation.



Sound Devices Acquires Audio

Sound Devices, a designer and manufacturer of audio and video mixers and recorders, acquired Audio, a manufacturer and developer of wireless microphone systems. Audio began making radio microphone systems for the film and television markets in 1963. Its systems have been used on numerous feature films, including the 1968 feature *2001: A Space Odyssey* and Oscar-winning features such as *Gladiator*, *Saving Private Ryan*, and *Titanic*. Sound Devices will distribute Audio's new digital wireless microphone system throughout North America.



NEC Display Solutions Acquires S[quadrat]

NEC Display Solutions acquired S[quadrat], a provider of LED systems, adding complete LED indoor (fine pitch) and outdoor solutions to its display technology portfolio. The acquisition positions NEC as one of the world's leading visual solutions providers while supporting a more consultative market approach that focuses on in-depth understanding of customer challenges and vertical industry opportunities.



Motorola Acquires Avigilon for \$1 Billion

Motorola Solutions acquired Avigilon, a leader in advanced security surveillance solutions including video analytics, network video management software and hardware, surveillance cameras and access control solutions used by commercial and government customers, for approximately \$1 billion. Motorola is taking advantage of a recent backlash against Chinese-made technology products with the acquisition. Avigilon's chief competitor is Chinese company Hangzhou Hikvision Digital Technology Co.



Warner Music Group Acquires Sodatone

Warner Music Group acquired Sodatone, a technology startup founded in 2016 that has built a reputation as the world's premier artists and repertory insight tool. Sodatone's technology combines streaming, social and touring data to track early predictors of success such as fanbase loyalty and engagement and the potential virality of a certain track or demo. Sodatone should give Warner a big advantage when it comes to finding the next breakout star.



Pro Audio/Visual (Cont'd)

Texadia Systems and DM Home Entertainment Merge

Two Texas-based custom integration firms, Texadia Systems and DM Home Entertainment, have merged to create distinct residential and commercial divisions within the new company. The new company will operate under the brand name Texadia Home Technologies and will focus on the residential market. Texadia Systems will continue to focus on the commercial A/V sector. Both companies will be headquartered in Dallas.



Residential Technology

Amazon Acquires Video Doorbell Leader Ring for \$1 Billion Plus

Amazon acquired Santa Monica, Calif. based Ring, an industry leader in video doorbell and related products for reportedly north of \$1 billion. The acquisition marks the technology and eCommerce giant's latest attempt to dominate and disrupt the rapidly-expanding market for internet-connected home devices. While further diversifying Amazon's product offerings within the sector, the acquisition also ensures Amazon further influence in enabling one's in-home digital life.



SnapAV Acquires Allnet Distributing

SnapAV, a leading distributor and product developer for the smart home installation channel, acquired Allnet Distributing, a respected wholesale distributor with several brick and mortar sites in the Midwest. This acquisition will allow SnapAV dealers to obtain products at Allnet locations, while Allnet dealers will receive exclusive access to the full SnapAV product catalog. SnapAV was acquired from General Atlantic by private equity firm Hellman & Friedman in 2017.



FLIR Systems Sells Its Lorex Subsidiary to Dahua

FLIR Systems, the commercial video surveillance giant, recently sold its Lorex subsidiary to Dahua for an estimated \$29 million. Dahua previously served as Lorex's primary OEM supplier of video surveillance products, which should present meaningful cost-saving synergy opportunities following the transaction. The sale of Lorex marks the end of a relatively disappointing venture for Flir in the DIY and small business markets, as Flir sold Lorex for half the price of its original \$60 million investment in the company. Lorex will continue to operate independently after the transaction closes.



Ring Acquires Manufacturer of Off-Grid LED Lights, Mr. Beams

Ring, the leading video doorbell and related products manufacturer, acquired Mr. Beams, a manufacturer of off-grid LED lights. Mr. Beams will operate as a separate division within Ring and be rebranded under the name Ring Beams. Ring quickly integrated the company's smart lights and should be releasing new products showcasing the interconnected capabilities of the newly merged company soon. The acquisition occurred only about a month and a half before Amazon's acquisition of Ring.



Control4 Acquires Ihiji

In a step aimed to strengthen its product offering to integrators, leading smart home solution provider Control4 acquired Ihiji, a supplier of remote management services for technical integrators in the connected home space. Ihiji will be coupled with Control4's Packedge networking solutions to offer dealers a one-stop shop for managing both IP networks and IoT ecosystems remotely.



Consumer Technology

Foxconn Acquires Belkin for \$866 Million

Foxconn, the Taiwanese company best known for manufacturing iPhones, acquired Belkin, a developer and manufacturer of accessories and connectivity devices, for \$866 million or 1.1x sales. In addition to the core Belkin brand, the company owns Linksys and the successful Wemo smart home technology brand. The deal is a major transition for Foxconn which has traditionally been a behind scenes manufacturing player but is now stepping forward as a brand owner. The deal is subject to U.S. government approval, so stay tuned.



Main Street Capital Invests in Digital Products International

Main Street Capital invested \$35 million investment in consumer electronics maker Digital Products International (DPI) in a minority recapitalization transaction. DPI develops and manufactures Bluetooth and Wi-Fi devices, smartphone accessories and drones under nine proprietary brands and private labels designed for value-conscious consumers. The company has been selling its products to a customer base of brick-and-mortar retailers, eCommerce platforms, home shopping networks and specialty electronic stores for more than 45 years.



Liebman Group Acquires Majority Stake in C-Slide

Private equity firm Liebman Group acquired a majority stake in C-Slide, a security accessory company. Liebman Group partnered with C-Slide's existing senior management team to recapitalize the business and provide capital to support future growth. C-Slide provides patented products across a wide range of devices including mobile telephones, tablets, notebook computers, desktop computer monitors and smart televisions and sells its products as custom-branded corporate promotional items.



Directed Electronics Acquires Alcohol Detection Systems

Directed Electronics, a provider of branded vehicle security and remote start systems, acquired Alcohol Detection Systems (ADS), a manufacturer of breathalyzer-based ignition interlock devices. The acquisition diversifies Directed's product portfolio and allows it to penetrate the rapidly expanding ignition interlock devices industry. Evolving state laws and regulations promise continued growth in the sector, and by utilizing ADS' product design, technical service and distribution capabilities, ADS is likely to see a significant boost in sales.



First Alert Acquires Luma

First Alert, a provider of battery operated smoke and carbon monoxide detecting alarms and subsidiary of Newell Brands, acquired Luma, a home Wi-Fi system maker that had raised \$22 million in venture funding from multiple investors including Accel Partners and Amazon. The deal comes shortly after Luma's rival Eero announced layoffs, indicating many mid-sized industry players are struggling to compete with the industry's giants like Google and NetGear. However, the partnership between First Alert and Luma already appears to be paying dividends in terms of innovation and product diversification as the newly merged company unveiled a joint product offering at CES in January following the transaction.



Google Acquires Redux to Expand Its Hardware Offerings

Google acquired Redux, a start-up that uses vibrations to turn phones and tablets into speakers. Google has long been keen on expanding its hardware offerings. Revolutionary products and offerings like those of Redux, which can, for example, use vibrations to turn screen surfaces into speakers and ultimately change the way entrepreneurs approach their product development, fall in line with Google's strategy and legacy of innovation.



Sound United Acquires Classé Audio

Sound United, parent company to Denon, Marantz, Polk Audio, Definitive Technology, Polk BOOM, HEOS, and Boston Acoustics, acquired Classé Audio, a maker of high-performance music and theater components from Bowers & Wilkins. The acquisition will enable Sound to increase its presence in the consumer audio space, diversify its product portfolio with new concepts and offerings and allow Bowers & Wilkins to focus on developing its multi-room audio technology platform.



Select Transactions



has been acquired by



REGIMEN PARTNERS

in partnership with
Mike Belitz

Advisor to Radial Engineering



assets of

DAYMEN

have been sold to



VITEC GROUP
(LSE:VTC)

Advisor to DayMen Acquisition S.A.



owner of



pure enrichment B bentgo
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has received an investment from



Topspin Partners

Advisor to Bear Down



a portfolio company of



vicente
capital partners

has been acquired by



Jabra GN

Advisor to VXi Corporation



has been acquired by



Digital Products International

Advisor to Amped Wireless

American De Rosa Lamparts, LLC
dba



Luminance

a portfolio company of



SHOREVIEW

has been acquired by



RESILIENCE
CAPITAL PARTNERS

Advisor to Luminance

SunBriteTV

a portfolio company of



BUNKER HILL CAPITAL

has been acquired by



Snap
av

a portfolio company of



GENERAL ATLANTIC

Advisor to SunBriteTV



PreSonus

has completed a senior and subordinated debt financing led by



PRESIDENTIAL
FINANCIAL

Advisor to PreSonus



Blue
Microphones

a portfolio company of

Transom Capital Group

has been acquired by



Riverside

Advisor to Blue Microphones





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About Intrepid's Commercial & Consumer Technology Group

Intrepid's Commercial & Consumer Technology team provides a unique blend of proven execution expertise, deep industry knowledge, and relationships cultivated over many years of dedicated coverage. Target sectors include: pro audio/visual technologies, musical products, and residential and consumer technology. By focusing exclusively on these sectors, our industry bankers have a deep understanding of prevailing trends and value drivers.

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