



COMMERCIAL & CONSUMER TECHNOLOGY

M&A Soundcheck – Fall 2018

Buyers Feasting on Technology Hardware Distributors and Integrators; Other Sectors Remain Active

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COMMERCIAL & CONSUMER TECHNOLOGY

Buyers Feasting on Technology Hardware Distributors and Integrators; Other Sectors Remain Active

As 2018 comes to a close, we wanted to share the latest on deal making activity in the sectors covered by the Commercial & Consumer Technology (CCT) team.

Continuing a trend that we've seen for some time, the technology distribution and integration worlds continue to consolidate, with several notable deals among venerable distribution companies selling consumer electronics, musical products or servicing pro-A/V and high-end residential technology integrators. Ireland-based DCC has single handedly acquired three premier distribution companies this year, starting with Stampede (pro-A/V) and Kondor (mobile accessories) in July and continuing with the purchase of JAM Industries (MI) in October. Private equity (PE) also continues to invest in the sector with PE-backed companies such as AVAD and Snap A/V making acquisitions and most recently, Canada-based Microcel completing a private equity recapitalization. The growing commitment of PE equity dollars into the sector bodes well for future acquisition activity.

Also notable is that Zagg has stepped up its pace of acquisitions after having successfully consolidated Mophie, which it acquired in 2016. Zagg completed two acquisitions in the second half of 2018, including the purchase of mobile audio company Braven from Incipio in what appeared to be a fire sale, and buying Gear4, one of the leading European smartphone case brands, in a divestiture from STRAX.

On a more personal note, it's been an exciting year for Intrepid, as we announced in October that our firm is being acquired by MUFG Union Bank N.A.. The transaction is scheduled to close early in 2019 and we look forward to bringing our M&A and capital markets capabilities to MUFG Union Bank's large base of commercial lending clients and benefitting from the global resources of one of the largest and most respected banking institutions in the world.

We wish you and your loved ones a happy holiday and continued good health and success in 2019! 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

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Oaklins
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Consumer Electronics

Logitech Boosts Its Audio Assets With Acquisition of Blue Microphones

Intrepid recently served as the exclusive financial advisor to Blue Microphones (Blue), a portfolio company of The Riverside Company, on its sale to Logitech International for \$117 million plus working capital after five years under the private equity firm's ownership. Blue is an award-winning innovator of microphone technology and design that serves musicians, digital content creators and gamers. The company is known for marketing popular podcasting microphones such as the Yeti and Snowball. Logitech has scooped up five companies in audio and gaming over the past 10 years, including the Saitek brand from Mad Catz and Astro Gaming in recent years. Blue will complement Logitech's audio assets which already include speakers and headsets. Intrepid's Commercial & Consumer Technology team had previously represented Blue on its sale to Riverside in 2013.



WH Smith Acquires Airport Retailer InMotion

Airport-based digital accessories retailer InMotion Entertainment Group, which operates 144 stores across 43 airports, has been acquired by WH Smith for approximately \$200 million at a reported ~ 9.9x EBITDA multiple. InMotion was a portfolio company of private equity firms BRS & Co. and Palladin Consumer Retail Partners. It will continue to operate as a standalone company as part of WH Smith's international travel business and will be led by InMotion's existing senior management team. Keep an eye out for changes to stores on the way to your next flight.



Gilde Buy Out Partners Acquires Caseking Group

Private equity firm Gilde Buy Out Partners has acquired Caseking Group, one of the leading European suppliers of PC gaming, eSports and technology products, in partnership with the company's founders and management. The transaction appears to have been a major win for the selling party, Equistone Partners, who had reportedly doubled the company's sales since acquiring it back in 2014.



KwikBoost Expands Charging Portfolio

KwikBoost, a manufacturer of mobile device charging stations, has acquired charging competitor Brightbox. The KwikBoost portfolio includes a variety of solutions that offer mobile device charging for almost any space. KwikBoost has offered charging lockers for several years however, this move by the company adds a smart charging locker and related services to its portfolio. Brightbox products will become part of KwikBoost's Lock & Charge product family.



Incipio Sells Braven Audio to Zagg

Mobile lifestyle company Zagg has acquired Braven Audio from Incipio Group, adding the company's rugged speakers to its lineup. Incipio Group bought Braven in 2013 and was operated as a separate division with its original branding. Braven joins Zagg's portfolio of products which already includes InvisibleShield screen protectors, Mophie battery phone cases and mobile power sources and iFrogz earphones and headphones.



Zagg Inc Acquires Gear4 from STRAX

Zagg Inc has acquired Gear4, the United Kingdom's top smartphone case brand, from Strax for \$40 million, around 10x the company's projected sales. Gear4 owns about a quarter of the market share in the United Kingdom and is a growing brand throughout North America. ZAGG reportedly saw Gear4's intellectual property portfolio in protective case technology as a differentiator, particularly in light of the trend of increasingly costly handsets. ZAGG has a publicly stated long-term goal of reaching \$1 billion per year in revenue. The Gear4 transaction is another small step toward that aim.



Consumer Electronics (Cont'd)

Think Tank Photo Merges With MindShift Gear

Two of the top brands in camera bags and photo accessories, Think Tank Photo and MindShift Gear, have agreed to merge. Formerly sister companies who operated side-by-side for many years, the brands will now operate under one roof under the name Think Tank. MindShift will continue as a distinct product line for outdoor photography bags and accessories.



McCarthy Capital Joins Forces With Alpha Comm

Alpha Comm Enterprises, an industry leader in the design, manufacturing and distribution of wireless accessories, completed a recapitalization with billion-dollar private equity firm McCarthy Capital. Alpha Comm brings mobile device accessories from concept to consumer, and its products are found in more than 18,000 points of distribution in North America including carrier-owned and independently-operated wireless retail stores and other national and specialty retailers.



Atar Capital Acquires Microcel Corporation

Los Angeles-based private equity firm Atar Capital has teamed up with the company's founder to buy Microcel Corporation. Microcel Corporation offers exclusive distribution arrangements for brands and a multi-channel network that includes some of Canada's most prominent consumer electronics stores, big boxes, and specialty retailers. The company works with brands such as GoalZero, Polk, Belkin, Fitbit, and Logitech. Atar appears to see strong potential in Canada's growing retail and e-commerce markets for Microcel's portfolio of brands.



Musical Products

RCF Group Acquires EAW From Loud Audio

Italian pro-audio conglomerate RCF Group has acquired Eastern Acoustic Works from Loud Audio. The deal comes more than a decade after RCF itself was divested by Loud Technologies, an earlier iteration of Loud Audio. The EAW sale marks the third brand to be sold off since Transom Capital Group purchased Loud Audio in 2017, following in the steps of Ampeg and Martin Audio. The remaining brands under Loud Audio are Mackie, Crate, Blackheart and Tapco.



Hal Leonard Acquires Groove3

Groove3, a music technology tutorial video platform, has been acquired by music-publishing giant Hal Leonard. Groove3 offers introductory musicians an interactive portfolio of instructional videos through a subscription model. Hal Leonard is the top educational music publisher worldwide, with over 200,000 titles released to date. Hal Leonard's global reach should further support Groove3's growth and also expand its online presence.



Music Tech Startup Pirate Studios Raises \$20 million

Pirate Studios, the music technology company that provides 24-hour self-service music studios, has raised \$20 million from UK-based venture capital family office Talis Capital. Pirate Studios offers space to musicians, DJs, producers, and podcasters who need access to professional rehearsal, production and recording studios. The investment group includes Eric Archambeau, a Spotify investor and former Partner at Benchmark Partners and Wellington Partners, and Bart Swanson of Horizons Ventures. Look for Pirate Studios to expand across the United Kingdom, as well as in Germany and the United States.



Musical Products (Cont'd)

Dublin Backed DCC Acquires a Diversified Sales and Marketing Company JAM Industries, Its Ninth Acquisition of the Year

DCC has acquired JAM Industries, a distributor of music and professional audio products, for a reported \$170 million. By partnering with DCC, JAM extends its geographic footprint and resource access, which could accelerate growth and build on its supply-chain expertise. JAM is DCC's ninth acquisition of the year and follows in the footsteps of audio and mobile accessory distributor Kondor and Pro A/V product supplier Stampede.



Residential Technology

CEDIA Acquires The Cinema Designer

Custom Electronics Design & Installation Association (CEDIA) has acquired software provider The Cinema Designer. Rebranding to The CEDIA Designer, or TCD, this software provides consumers with a premium home theater design tool that creates full renderings of in-home cinemas with customized product/room specs. The Cinema Designer team will join CEDIA as consultants to support and maintain the software.



Emerald Expositions Acquires Commercial Integrator

Emerald Expositions has acquired the Commercial Integrator brand and other properties, including CE Pro, TechDecisions, Total Tech Summit, Security Sales and Integrations and Campus Safety, for \$28 million. This multi-faceted transaction expands the trade exposition offering of Emerald and will support its strategy to be the "industry-leading voice" in the IoT residential markets.



Two Major Home-Technology Distributors Set to Merge

Kingswood Capital has acquired WAVE Electronics, a distributor of audio and visual solutions, and plans to merge it with portfolio company AVAD, LLC to create what is considered the single largest value-added distributor of high-end audio, video, security and home automation solutions in the consumer electronics industry. Kingswood expects the combination to deliver a far-reaching benchmark solution that will elevate same day product needs, national one day shipping and services for dealers and vendors.



Legrand Acquires French Smart Home Startup Netatmo

French hardware startup Netatmo has been acquired by Legrand, one of the largest manufacturers of switches and sockets in the world. Netatmo's first product was a weather station, but more recently, it released security products such as a connected camera that recognizes faces and a connected smoke alarm. The businesses have been collaborating since 2017 when Netatmo announced that it would work with selected industrial groups to connect everything in the home. Netatmo generates around \$50 million per year in revenue.



Luke Warm Reception for Sonos in its IPO

Shares of Sonos were priced at \$15 in its initial public offering in August, lower than the company's goal of \$17 to \$19 per share. This implies that Sonos was valued at about \$1.8 billion, \$300 million less than it had hoped to receive. The luke warm reception may be linked to the fate of other consumer-gadget companies such as GoPro and Fitbit who have had a tough run in recent years. Sonos CEO Patrick Spence has pushed back against those comparisons, pointing to the importance of the company's software, which drives the product. It will be interesting to see if Sonos can separate itself from the pack.



Pro Audio/Visual

Almo Acquires Digital Signage Content Provider Insteo

Almo Professional A/V has expanded its already diverse product portfolio with its acquisition of digital signage content provider Insteo. Almo is the nation's largest professional A/V distributor, offering televisions, projectors, media players, speakers and more. Insteo programs and designs digital content for digital signage, then provides tools to manage day-to-day changes for the cloud. Insteo's proprietary cloud signage will allow Almo to customize content for each installation as well as help the company expand geographically.



Saban Capital Acquires Panavision and Sim Video for \$622 Million

Saban Capital acquired both Panavision, a designer and manufacturer of high-precision lenses for the motion picture and television industries, and Sim Video, a provider of digital production equipment and workflow services for the television and feature film industries, reportedly for a combined \$622 million in order to create a vertically integrated and comprehensive production and post-production company. As Saban looks to capitalize on the rapid rise of online streaming services and the resulting surge in content spending, the newly combined group hopes to leverage Panavision's leading camera and lens technology, as well as Sim's powerful solutions and Saban's industry relationships to accelerate growth and pursue further complementary acquisition.



Blackford Capital Invests in Hall Research

Blackford Capital, with financing from Gun Lake Investments and Comerica Bank, has invested in Hall Research, a leading designer, engineer and manufacturer of A/V hardware and software. Blackford will look to assist the management team in leveraging its in-house engineering and product innovation capabilities to develop custom tailored solutions in new markets and geographic regions.



Data Display Systems Acquires POP Division of DUCO Technologies

Data Display Systems, a custom integrator of video, audio, lighting and provider of remote content management services to the point-of-purchase market, has acquired the point-of-purchase assets of DUCO Technologies. The acquisition diversifies Data Display's product lineup and manufacturing capabilities, particularly within video and Android devices.



Creative Realities Acquires Allure Global Solutions

Creative Realities, a provider of digital marketing solutions, has acquired Allure Global Solutions, which was previously a standalone subsidiary of Christie Digital Systems. Allure and its content management systems offer an opportunity for Creative Realities to expand into new sales verticals, as its customers include some of the world's largest chains of quick serve restaurants, movie theaters, sports stadiums and arenas.

CreativeRealities[®]



Battery Ventures Acquires Audio Precision, a Specialist in Audio Measurement

Battery Ventures, a technology-focused investment firm, has acquired Audio Precision, a provider of high-performance instrumentation and software for audio testing and analysis. Audio Precision is known for providing products and systems that range from semiconductors to consumer devices like headphones, speakers and smartphones as well as professional audio products. Look for Audio Precision to make targeted acquisitions with the backing of Battery Ventures.



Pro Audio/Visual (Cont'd)

AVI-SPL Continues Sector Consolidation With Acquisition of Interactive Solutions

AVI-SPL, a provider of collaboration and A/V technologies, has acquired Interactive Solutions, Inc. (ISI), a Tennessee-based video conferencing integrator. The deal is the latest in a steady stream of acquisitions for AVI-SPL that expand the company's geographic reach and fill holes in its solution set.



STRATACACHE Acquires Digital Signage System Integration Company Sys-Teams

STRATACACHE, the digital marketing and advertising conglomerate, has acquired Sys-Teams, a U.K.-based provider of comprehensive installation, integration and field service solutions to notable global brands' digital signage and digital retail experiences. Sys-Teams will plan to leverage STRATACACHE's global footprint in order to fuel international expansion across Europe, the Middle East and Africa, beginning with Germany and the Benelux region. The acquisition marks STRATACACHE's 18th acquisition in the past 15 years, and second through STRATACACHE Capital, a newer division focused on deal and acquisition sourcing for the larger company.



Select Transactions



a portfolio company of



has been acquired by



(NASDAQ: LOGI)

Advisor to Blue Microphones




has been acquired by



REGIMEN PARTNERS

in partnership with
Mike Belitz

Advisor to Radial Engineering



assets of


DAYMEN

have been sold to




(LSE:VTC)


Advisor to DayMen Acquisition S.A.



owner of



has received an investment from



Topspin Partners

Advisor to Bear Down



a portfolio company of



has been acquired by



Advisor to VXi Corporation



has been acquired by




Digital Products International


Advisor to Amped Wireless

SunBriteTV


a portfolio company of




has been acquired by




a portfolio company of



Advisor to SunBriteTV



has completed a senior and subordinated debt financing led by



Advisor to PreSonus



Microphones

a portfolio company of

Transom Capital Group

has been acquired by



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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