

MergerTech Intelligence Report: Mobile Marketing M&A Activity Heating Up

TECHNOLOGY M&A ACTIVITY GROWS APACE

The global technology M&A market continued its recovery in Q1 2011 from the low watermark in 2009 as increasing numbers of high-quality enterprises with more attractive revenue multiples are being brought to market. Venture funds seeking to exit their investments are realizing widening bid premiums owing to competition by strategic buyers and private equity firms for small, medium, and large sized technology firms. We profile one such recent transaction in our first monthly MergerTech Intelligence Report.



CommerceTel (OTCBB: MFON) Acquires Mobivity

Transaction Value:
\$4 Million

Transaction Structure:
Stock & Cash

CommerceTel Corporation (OTCBB: MFON) has acquired Mobivity LLC for \$4 million. The acquisition, which closed on April 8, 2011 includes 1 million shares of common stock of CommerceTel valued at \$3.35 million, \$65,000 in cash paid at closing, and a secured interest bearing promissory note of \$606,000 at 6.25% per annum.

Founded in 2008 and headquartered in San Diego, CommerceTel is a publicly traded provider of Interactive Voice Response and proprietary mobile marketing platforms that enable content owners and enterprises to communicate with consumers via mobile devices. Using a software as a service model (SaaS), CommerceTel generated \$1 million in revenue in 2010 by licensing its software to clients and charging per-message and per minute transactional fees. With a market cap of \$44 million, CommerceTel projects its acquisition of Mobivity and that of mobile marketer Txtstation to increase revenue by over 150% by the end of 2012.

Mobivity is a cloud based mobile marketing software developer that provides shared short codes enabling businesses to run their own marketing campaigns. Also using a SaaS model, Mobivity develops SMS based coupons, contests, and specialized content for enterprises and has logged over 20 million engagements. Founded in 2006, Mobivity is based in Princeton, New Jersey.

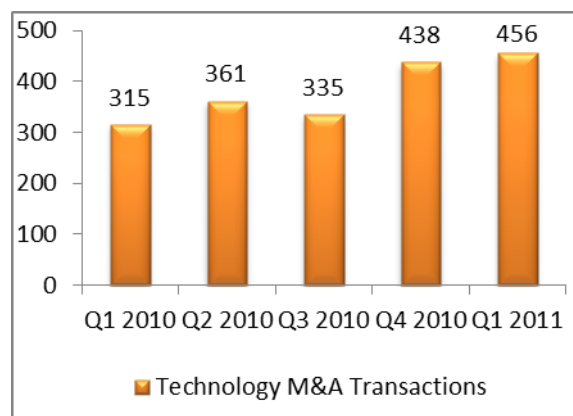
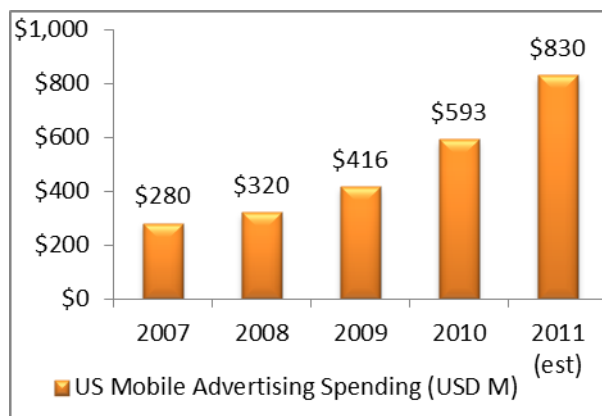
The acquisition provides three direct benefits to CommerceTel. First, the adoption of Mobivity's short code marketing business will help streamline product development and delivery. Second, CommerceTel will immediately increase its customer base, making its products more attractive to larger enterprises seeking mobile marketing or CRM solutions. Third, CommerceTel will be able to increase revenue by cross selling its products to Mobivity's existing clients.

After examining its two most recent deal structures, MergerTech believes that CommerceTel will continue to issue additional common shares in the execution of its acquisition oriented growth strategy, increasing EPS dilution and having a depressive effect on its stock price. CommerceTel is likely to seek complementary mobile marketing businesses to create synergy and new revenue streams.

Investment data from the previous five years indicates that the acquisition is a sign of a substantive growth trend in mobile marketing solutions. Mobile phone users represent a substantial global customer base with each consumer having a unique address which they may access at any given moment, unlike television and traditional media which is often shared by multiple users for time limited increments. Mobile and tablet devices are rapidly emerging as the primary interactive medium for organizations to reach consumers, making the development of mobile marketing solutions a top priority for enterprises.

Mobile devices will continue to have an increasing presence in aspects of consumers online and offline lives, particularly in the areas of banking, media viewing, commerce, entertainment, gaming, social communication, and commerce. Potential for significant consumer engagement and innovative marketing strategies are likely to drive substantial demand for mobile marketing solutions in the medium to long term. CommerceTel and other related firms are likely to address the need to develop new products and capabilities in this area through their M&A strategy.

Heading into Q2 MergerTech expects growth in technology M&A activity to be driven by several factors, including: regulatory incentives, rapid development of cloud related technology, the pursuit of more flexible cost models, and investments in growth initiatives to diversify product portfolios.



About MergerTech:

MergerTech's mission is to enable small and medium-sized technology companies to realize the value of their business. As the only investment banking firm exclusively focused on this space, we apply our deep domain expertise and global knowledge of buyers to deliver three key values: fast introduction to buyers, best terms and value, and greatest certainty of deal closure.

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