

**MergerTech Intelligence Report, Vol. I Issue IX: Talent Acquisitions Driving App Development****Social Media Invests In Security Protocols**

Social media sites like Facebook and Twitter along with their respective mobile applications which rely heavily on user generated content, have primarily faced security challenges not through illicit hacks but rather via users falling prey to phishing scams and malicious links promulgated by legitimately created accounts. This is not a passing problem, as consumers of social media and mobile app technologies insist on both real-time security upgrades and enhanced features. This is driving acquisition demand for talented teams of coders who understand app development, UX, and security. Now that enterprise level clients have seen firsthand the true value of establishing a social and mobile footprint, there is a growing trend of talent acquisitions both in the security and mobility space. We profile one such transaction in our ninth MergerTech Intelligence Report.

**Twitter Acquires Whisper Systems**

Transaction Value:  
Undisclosed

Transaction Structure:  
N/A

Twitter, Inc has acquired Whisper Systems Inc for an undisclosed sum. The acquisition, completed on November 30, 2011, includes unnamed consideration for 100% of Whisper Systems' equity. As Whisper Systems is a two person engineering team whose offerings are still in beta, it is highly likely that the transaction is a pure talent buy. The acquisition, Twitter's sixth in the past twelve months, is not expected to impact Twitter's 2011 revenue.

Founded in 2006 and headquartered in San Francisco, California, Twitter has emerged as one of the most popular social networking platforms on the web. Twitter offers a platform for broadcast short messages, or micro-blogs, as well as enterprise level networking integration for email marketing and advertising. With a staff of over 140, MergerTech estimates Twitter's 2011 revenue at \$150m. To date it has completed acquisitions with a disclosed value of \$45m and received over \$1.1b in funding.

Whisper Systems is a developer of Android OS security technologies and applications for enterprise level clients. The company is best known for its 'RedPhone' product, which establishes an encrypted phone connection to prevent audio hacking, and 'TextSecure', a service which encrypts text messages. However both of Whisper Systems employees have authored several prominent cyber-security tools including wpacracker and SSLstrip. Whisper Systems was founded in 2010 and is also headquartered in San Francisco, California.

## Acquisition Rationale:

Since inception Twitter has completed 15 M&A transactions, but this is its first ever foray into acquiring security technology or talent. This talent acquisition could be an indication of a new business or service model for Twitter. Enterprise level clients or users may be willing to pay for a more secure or encrypted version of Twitter’s existing platform. Whisper Systems’ developers could also become involved in the development of security protocols for an analytics platform that can supplement existing advertising and marketing services which Twitter is believed to be developing around its main site.

Twitter has also faced some quiet but palpable pressure from both users and the Federal Trade Commission to be more proactive in safeguarding user privacy. Whisper Systems and its app dev team have worked on products that are designed to make up for security shortcomings in Android OS, as well as thwarting users of stolen phones from determining unlock codes based on screen finger-smudges. The acquisition can also be read as another indication that both users and providers of hosted services are taking security protocols far more seriously, particularly in the wake of several high profile security breaches by hackers earlier in 2011.

**Largest IT Security Transactions – 2011**

Date	Acquirer	Target	Target Primary Sector	Deal Value
9-09-11	Black & Decker	Niscayah Group	Security Integration	\$1,200,000,000
2-08-11	Dell	Secureworks	Managed Security	\$612,000,000
10-26-11	IBM	Q1 Labs	Security Management	\$575,000,000
1-14-11	BAE Systems	Norkom	Transaction Security	\$282,532,000
4-1-11	EMC	NetWitness	Security Monitoring	\$260,000,000
5-23-11	Thoma Bravo	Tripwire	Security Monitoring	\$225,000,000
4-29-11	Tyco International	Signature Security	Security Integration	\$172,943,000
7-06-11	Sophos	Astaro	Anti-Malware	\$170,000,000
10-04-11	McAfee	NitroSecurity	Security Management	\$160,000,000

## 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.

To learn more about the Technology M&A landscape please contact Ash Sethi at 925.215.2758 or via email to [asethi@mergertech.com](mailto:asethi@mergertech.com)