

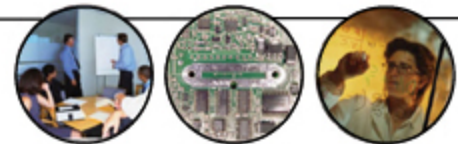
# **Mergers and Acquisitions: Lessons from Palm Inc. 1995- 2008 Session 15**

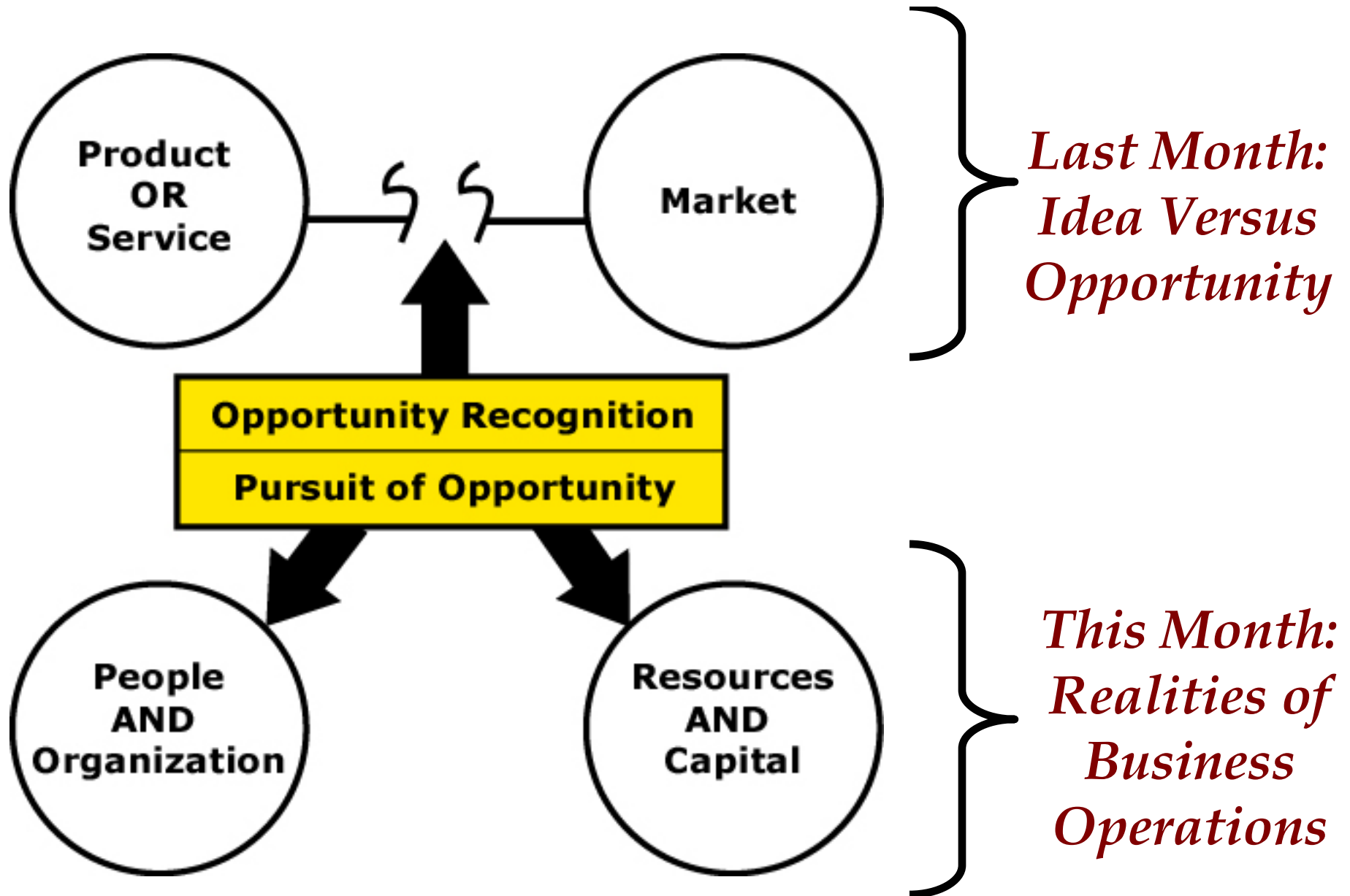
**Tom Kosnik  
Fenwick and West Consulting Professor  
Stanford Technology Ventures Program**

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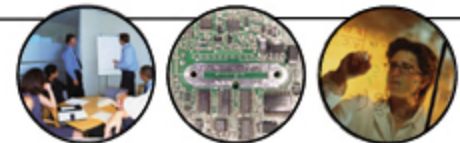
**TECHNOLOGY VENTURES**





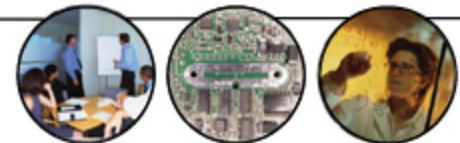
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# TECHNOLOGY VENTURES



# Agenda

- A. Announcements**
- B. Palm 1995 Discussion**
- C. Palm from 1995- 2008 – Multiple M&A events (Tomk and Connie Chan)**
- D. Palm business and competitive position in 2008 – Sachin Kansal**
- E. Takeaways**



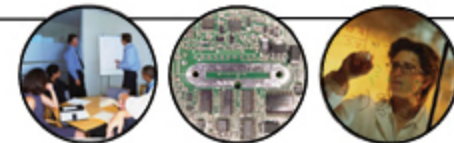
# Stanford Entrepreneurial Alumni who know Palm Inc.



**Connie Chan**  
Stanford class of 2005  
Elevation Partners  
[www.elevation.com/](http://www.elevation.com/)



**Sachin Kansal**  
Class of 2001  
Palm Inc.  
[www.palm.com/us/](http://www.palm.com/us/)

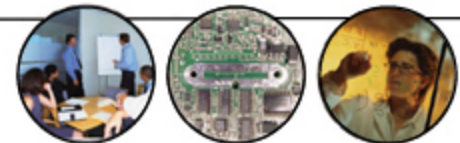


# Is now the right time for Palm to get married? Is USR the right spouse?

## Expected Length of the Relationship

Depth of Commitment & Exclusivity	Short	Unknown	Long
Shallow/ Usually Polygamous	<b><i>Credit Lyonnaise Private Equity (Series C)</i></b>	<b><i>Newtek Ventures (Series B)</i></b>	
Deeper/Often Polygamous	<b><i>ABC Venture Capital at \$9 MM Valuation (down round)</i></b>	<b><i>Alpha Computer Financing and OEM agreement</i></b>	<b><i>Merrill Pickard, Sutter Hill, and Tandy CEO (Series A and B)</i></b>
Deepest/Usually Monogamous			<b><i>Merger/ Acquisition With U.S. Robotics</i></b>

**TECHNOLOGY VENTURES**



# How to evaluate your sources of funding: One co-founder's wish list...

- 1. Legally Qualified:** They satisfy any legal requirements.
- 2. Fit:** Their selection criteria fit our investment opportunity.
- 3. No conflicts:** Their other investments do not compete with us.
- 4. Aligned:** Their objectives are aligned with our objectives.
- 5. Connected:** They can give us access to customers, other investors, government officials, etc.
- 6. Well funded:** They have the capacity to invest now, and in the future if needed.
- 7. Smart:** They have expertise and experience that will help us to succeed.
- 8. Trustworthy:** They are honest. We trust them & vice versa.
- 9. Autonomy/Control:** They will allow us to control our business
- 10. Good value:** Their valuation, terms & conditions are fair.

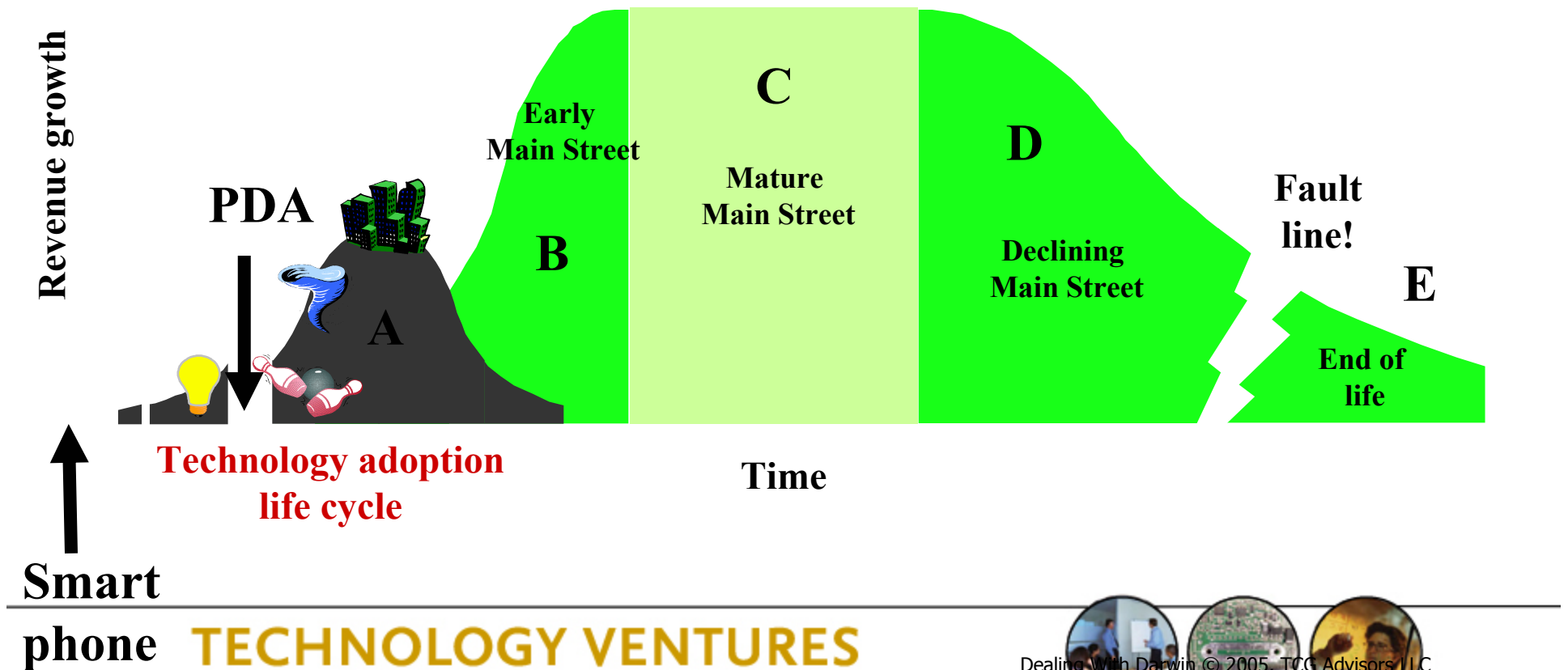
Adapted from Kosnik (2000) guidelines on selecting investors for AVAcore Technologies.

# How to evaluate your sources of funding

Criteria	ABC VC	Alpha CPU	USR	Other
Qualified				
Fit				
No Conflicts				
Aligned				
Connected				
Well Funded				
Smart				
Trustworthy				
Autonomy/ control				
Good Value				
Total score				

# Epilogue: What happened to Palm' PDA and Smartphone Categories: The Situation in 1995

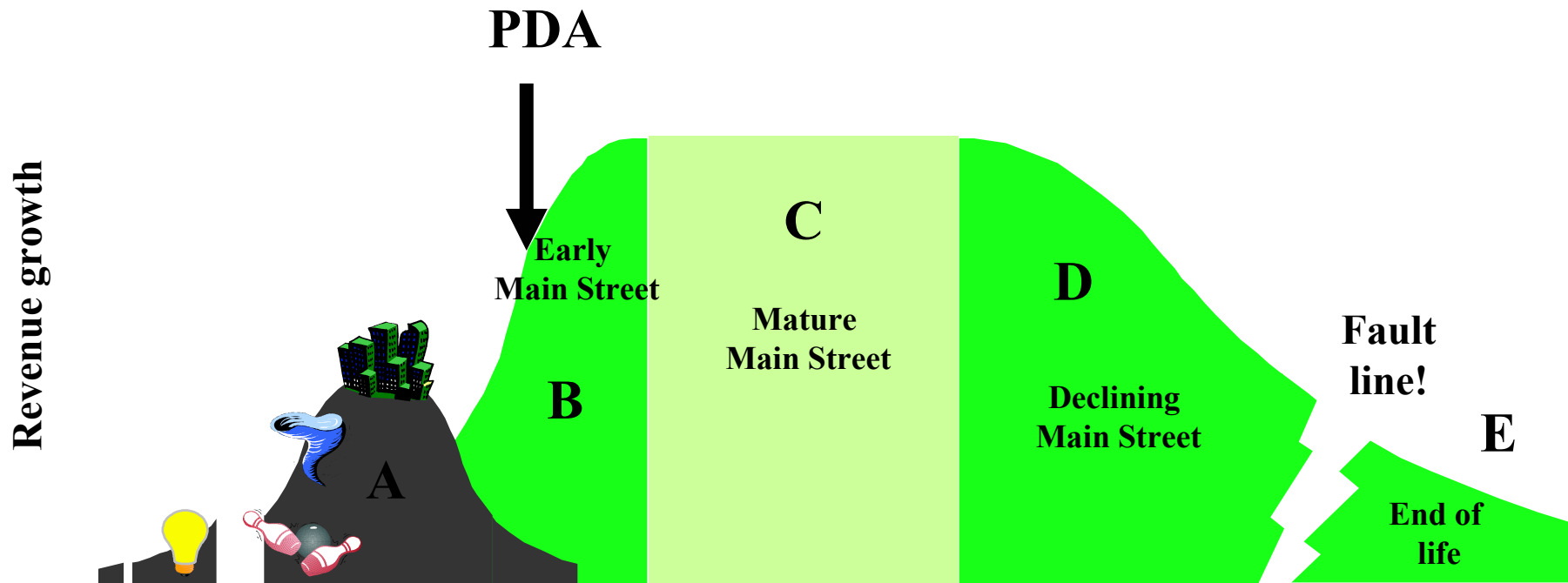
## The Category Maturity Life Cycle





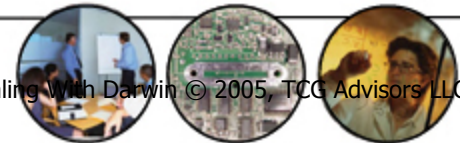
# Epilogue: What happened to Palm' PDA and Smartphone Categories: The Situation in 2000

## The Category Maturity Life Cycle



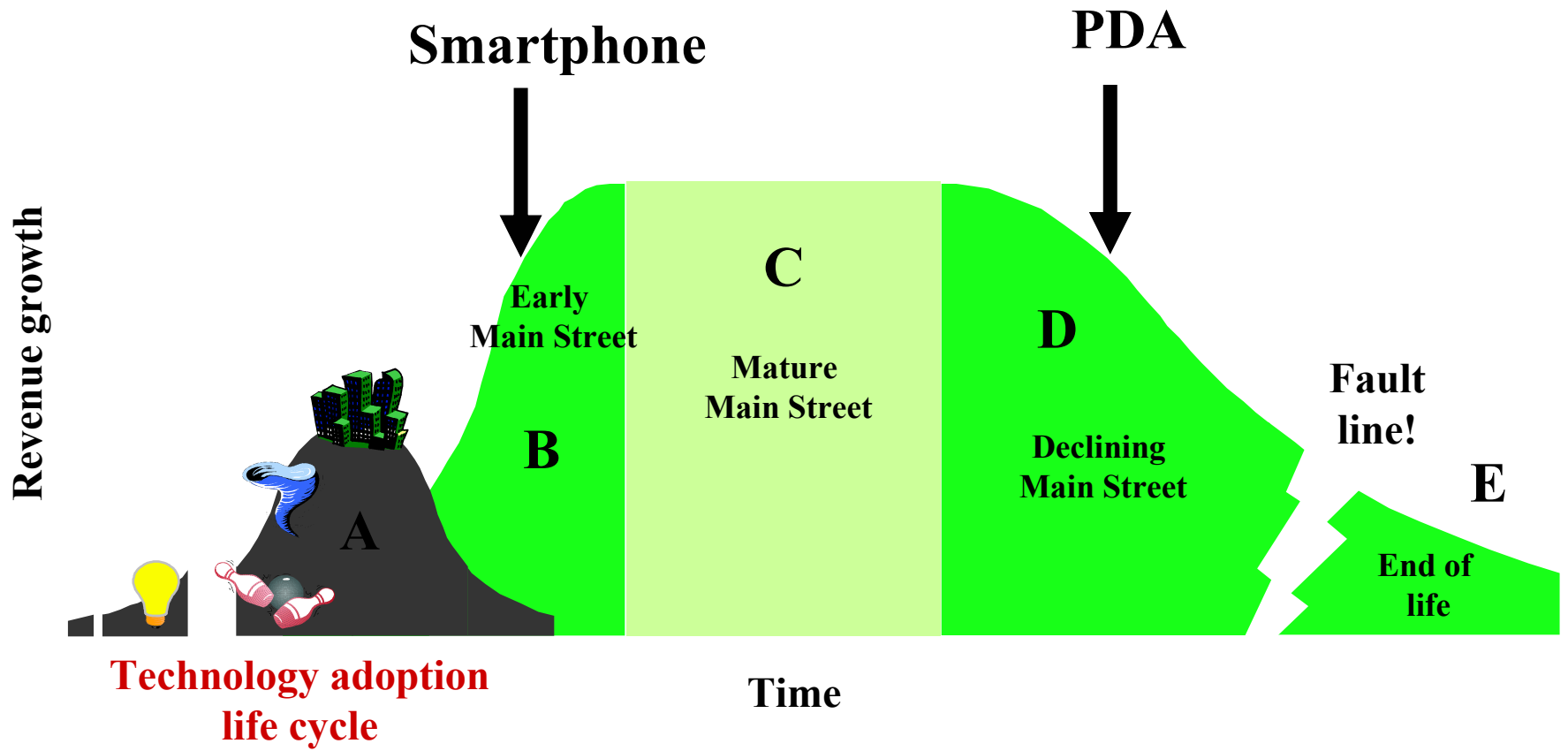
Smart  
phone

TECHNOLOGY VENTURES



# Epilogue: What happened to Palm' PDA and Smartphone Categories: The situation in 2008

## The Category Maturity Life Cycle

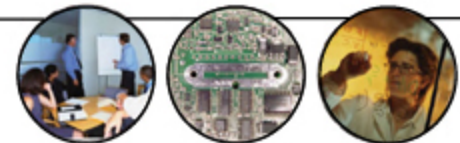


# 1995-2008: Multiple M&A events for Palm

## With insights from TomK and Connie Chan

1995	1996	1997	1999	2000	2001
USR buys Palm	Palm Pilot Ships	Palm Pilot leads PDA Mkt.  3Com buys USR	Donna, Jeff and Ed Leave 3COM to found Handspring	3com spins off Palm Inc. for a high profile IPO	

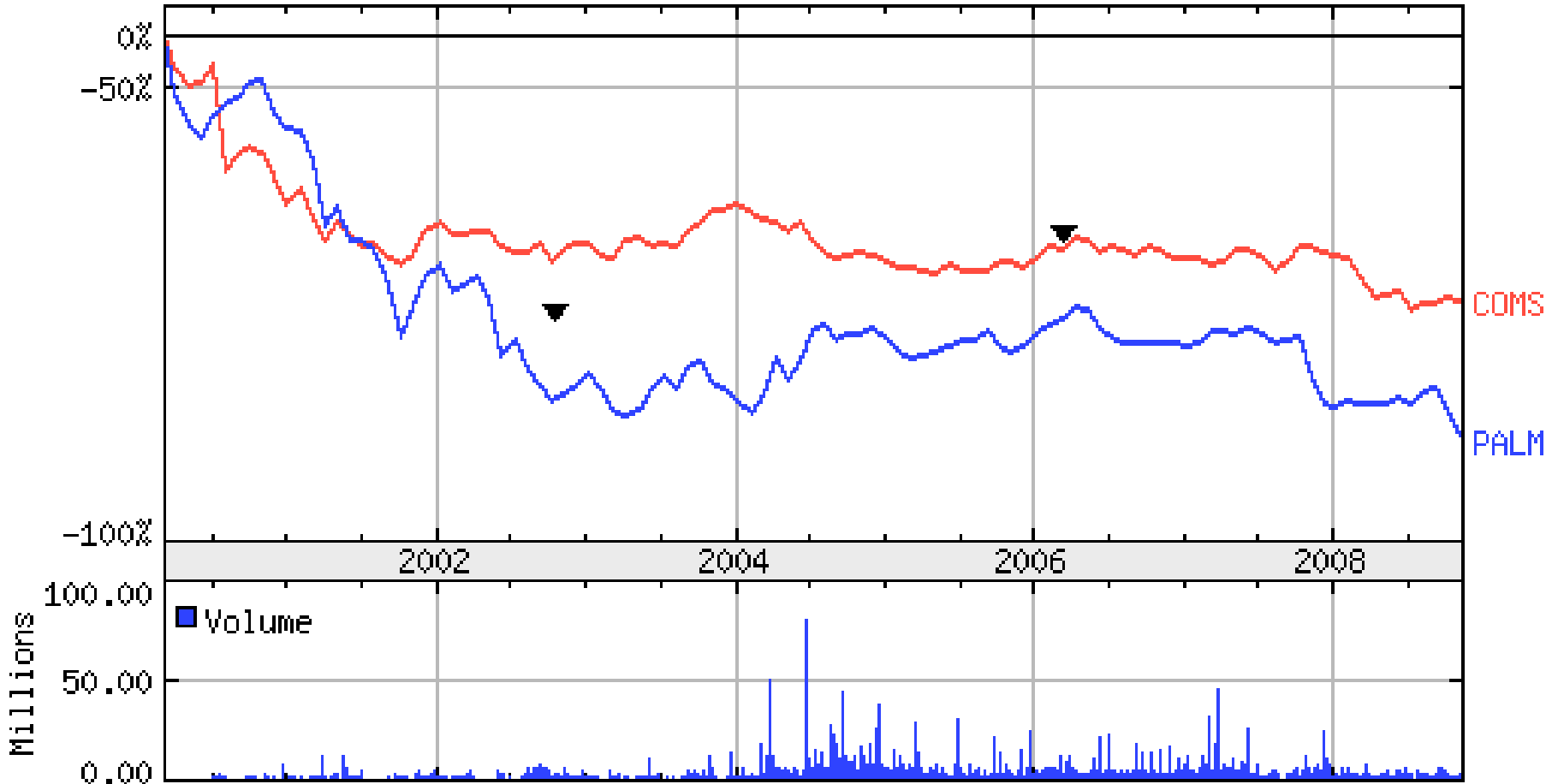
2002	2003	2004	2005	2006	2007
Palm Inc. sets up Palmsource as indep. Subsidiary	Palm Inc. Acquires Handspring  Palm Inc. Becomes PalmOne (HW) and Palmsource (SW)		Access Acquires Palmsource  PalmOne buys back Palm name to become Palm Inc. Again.		Elevation Partners Acquires 25% stake in Palm Inc.



# Palm Inc.'s stock price since IPO vs. 3Com (which spun it out in 2000)

Palm, Inc.

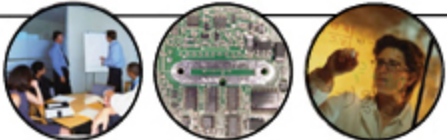
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as of 10-Nov-2008



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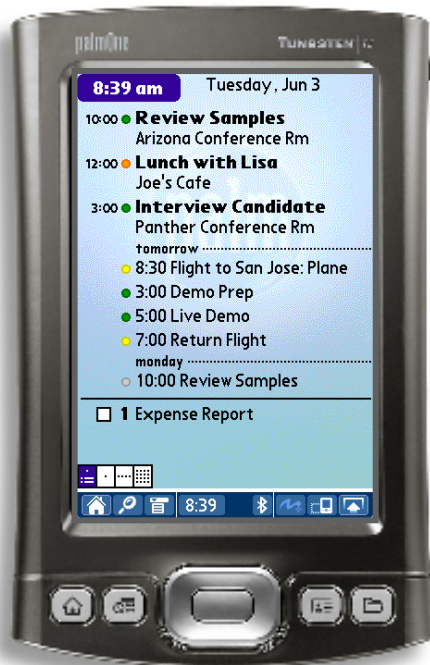
<http://finance.yahoo.com/>

## TECHNOLOGY VENTURES



# PalmOne in 2007 had two Business Units – Each with a Portfolio of Products

## PDA



## Smartphone = Treo



**Both Product families must deliver:**  
**Delightful User Experience**  
**High Value**  
**Top of Mind Awareness**  
**To very different segments**

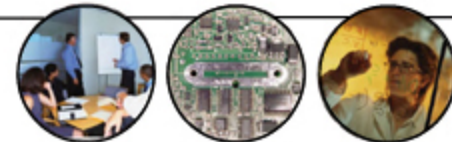
And now let's hear from Sachin Kansal!

**Sachin Kansal**  
**Director of Product**  
**Management, Palm, Inc.**



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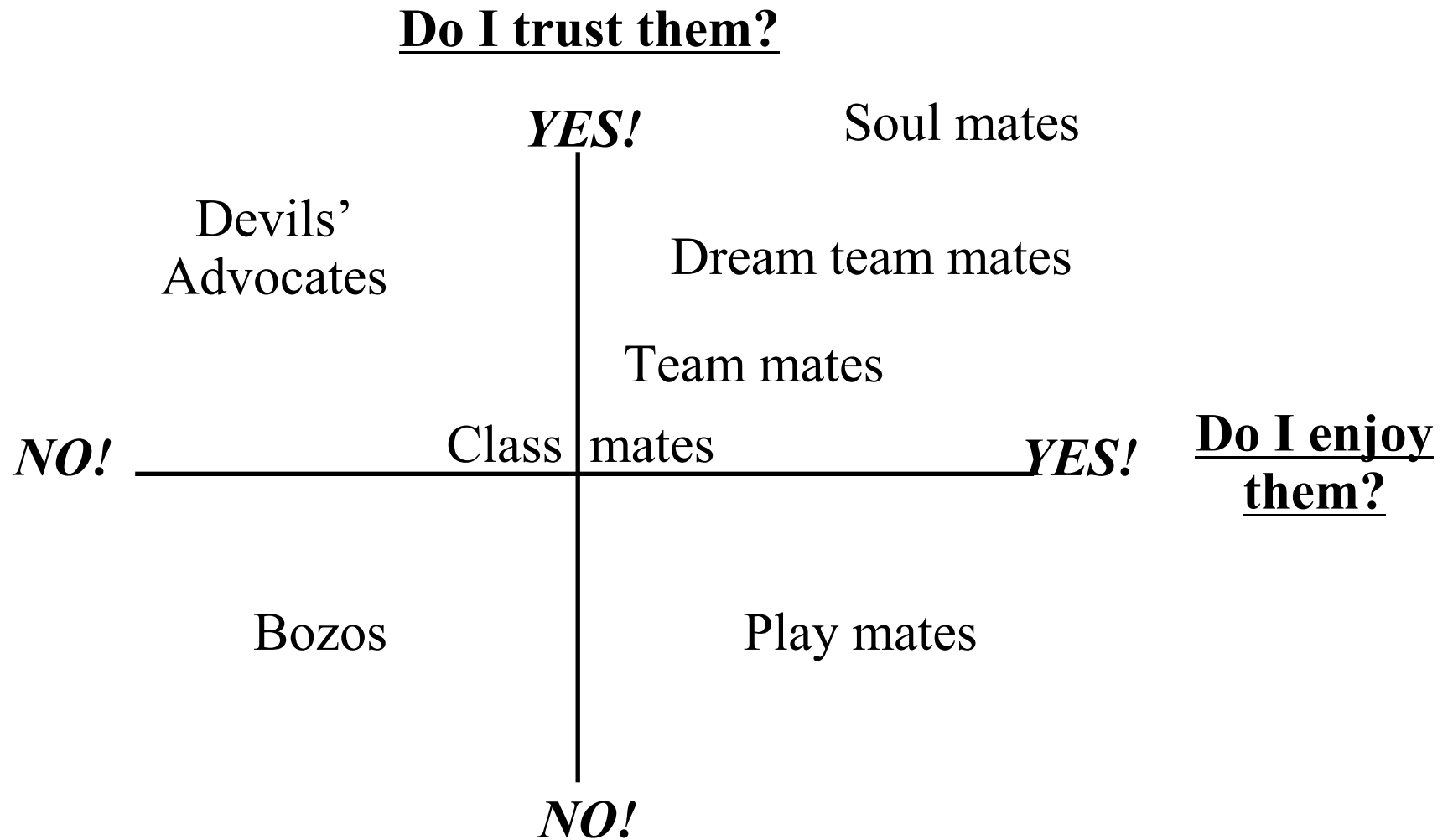


# Takeaway 1: How to evaluate your sources of funding

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Adapted from Kosnik (2000) guidelines on selecting investors for AVAcore Technologies.

## Takeaway 2: One way to think about picking Co-Founders



Source: Kosnik (2004) "Building a Winning Team"



# Takeaway 3: In alliances and M&A always ask: What can each partner give/get from the relationship?" Do both sides see it the same way?

Potential Stakes to bet on the Partnership – or Merger/Marriage	Palm can give USR:	Palm can get from USR:
Technology ( <i>product, platform, and process technologies</i> )		
Resources ( <i>money, time, talent, and knowledge</i> )		
Relationships ( <i>with customers, channels, investors, government</i> )		
Reputation ( <i>visibility, credibility, brand equity</i> ) Core Competencies ( <i>critical capabilities for execution</i> )		
Chemistry of Key People ( <i>culture, character, personalities, values</i> )		
Company Vision ( <i>purpose, mission, values</i> ) and strategy		

Adapted from: Kosnik (2000), "Managing a Portfolio of Polygamous Partnerships?"  
Talk for Stanford Center for Professional Education, January 26, 2000

