

The Deal Pipeline

[\[RETURN TO ARTICLE\]](#)

Auctions

[Share](#) [Reprint](#) [Save to My Articles](#)

Carbonite opts to stay independent following strategic review

By [Sarah Pringle](#) Updated 05:45 PM, Apr-16-2015 ET

Despite activist pressure, an offer from minority shareholder [j2 Global Inc.](#) (JCOM) and discussions with several potential strategic and financial buyers, memory backup company [Carbonite Inc.](#) (CARB) has chosen to remain independent.

The decision comes about three months after Carbonite on Jan. 9 announced a strategic alternatives process to evaluate a \$366 million takeout offer from j2 Global, as well as other potential offers or acquisitions.

The Deal [previously reported](#) that Carbonite likely wasn't in a hurry to sell amid the Dec. 3 appointment of former Hewlett-Packard Co. (HP) executive [Mohamad Ali](#) as chief executive, which came the same day as j2 Global launched its offer.

Company officials declined to comment on Thursday, April 16, but the conclusion of the review follows a "robust process" during which several companies signed confidentiality agreements and engaged in due diligence with Carbonite regarding a potential acquisition, according to a Thursday statement.

"We always remain open and willing to engage in these types of discussions, and while we will not be sharing specific details about the process, the board is confident that under Mohamad Ali's leadership, and through the execution of our strategic plan, Carbonite is well-positioned to become the leading provider of cloud and hybrid business continuity solutions for [small and midsize businesses] and deliver greater shareholder value," lead independent director Todd Krasnow said in the statement.

Carbonite was founded in 2005 as a joint venture between [David Friend](#) and Jeff [Flowers](#). The Boston company offers cloud-based online backup services for consumers and small and midsize businesses.

In a second attempt since August 2012 to take full control of the provider of online backup services, j2 Global on Dec. 3 offered to buy the approximately 90.6% of outstanding Carbonite shares it did not own for \$15 a share. Shortly after extending its tender offer for Carbonite on Feb. 27, j2 Global revealed on March 2 that it would be

withdrawing its offer.

Still, j2 Global on March 4 said in a [Securities and Exchange Commission](#) filing that it would nominate three candidates for election to Carbonite's board of directors at its 2015 annual shareholder meeting: [Raintree Resorts International Inc.](#) chairman and CEO [Douglas Y. Bech](#), Pecks Management Partners Ltd. managing director Robert J. Cresci and Kretzmer Consulting LLC founder William Brian Kretzmer.

The date of the annual meeting was unclear.

"I presumed [the withdrawal of the offer] was because [j2 Global] didn't want to proceed with an utterly hostile takeover," said Ben Rose, president of Battle Road [Research Ltd.](#) of Waltham, Mass.

J2 Global, which offers Internet services through its business cloud services and digital media divisions, previously sought to take out Carbonite for \$10.50 per share in 2012.

The second takeover attempt by the Los Angeles company prompted activist shareholder [Engine Capital](#) LP, which holds an approximately 2.5% stake in the target, to call for a formal sale process.

Arnaud Ajdler, managing partner of the New York hedge fund, declined to comment on Thursday, but he previously suggested Carbonite could be valued at \$16 to \$20 a share--equating to a valuation of about \$430 million to \$538 million.

Shares of Carbonite, listed on [Nasdaq](#), closed Thursday at \$10.89, down 5.2% from Wednesday's close at \$11.49.

The slide in the share price came despite Carbonite's disclosure in the Thursday statement of positive preliminary results for the first quarter of 2015. The company said revenue would exceed the previously provided range of \$31.9 million to \$32.1 million, while its loss per share would be smaller than the provided range of 7 to 9 cents.

The company on Dec. 15 announced a deal to buy German e-mail archiving company MailStore Software GmbH for €15.95 million (\$16.96 million).

Despite a \$61.1 million cash balance as of Dec. 31, alongside about \$117.2 million in total liabilities, Rose suspected Carbonite would be very selective in terms of acquisitions.

"The strategy is to continue to grow the SMB portion of the business," Rose said, referring to its small-to-midsize business unit, which accounts for about a quarter of Carbonite's revenue and grew by about 48% in the past year.

"The big question is can the rate of growth in its SMB business dramatically outstrip whatever decline in growth [occurs] in its base business," Rose added, referring to Carbonite's consumer business, which grew by only about 2% in 2014. "Carbonite needs to articulate what it's going to do to keep that business stable."

[Brian Truesdale](#), [Lee Counselman](#) and [James Stynes](#) of Deutsche Bank Securities Inc. provided financial advice to Carbonite. [Thomas Cole](#), [Beth Flaming](#) and [Matthew Rizzo](#) of Sidley Austin LLP and [Susan Pravda](#) of Foley & Lardner LLP served as legal counsel. [Danielle Sheer](#) served as Carbonite's general counsel.

[Patrick Brown](#), [Eric Krautheimer](#), [Ann Chen](#) and [Tyler Rosenbaum](#) of Sullivan & Cromwell LLP provided legal advice to j2 Global on its offer.

[Share](#) [Reprint](#) [Save to My Articles](#)

[Privacy](#) | [Terms and Conditions](#) | [My Account](#) | [Contact Us](#)

@Copyright 2015, The Deal, LLC. All rights reserved. Please send all technical questions, comments or concerns to the Webmaster.