

Security Finance Newsletter

June 2016

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Volume XII, Issue 2

1st/2nd QUARTER MERGERS & ACQUISITIONS

Buyer: KONICA MINOLTA is a provider of office equipment and optical systems. They have just entered the security space with this acquisition.

Seller: MOBOTIX is a video surveillance provider which is based in Langneil, Germany, with about \$90 million in FY2015 sales. It has 400 employees.

Buyer: PASWORD PROTECTION SERVICES specializes in intrusion alarms, video surveillance and card access. They operate their own ULC listed monitoring center.

Seller: ISC SECURITY is an alarm monitoring company.

Buyer: MAGAL S3 (Nasdaq GM: MAGS) is a provider of solutions and products for physical and cyber security, as well as safety and site management.

Seller: AIMETIS is based in Waterloo, Ontario, Canada. It provides intelligent IP video management software (VMS).

Buyer: CAREERBUILDER specializes in HR software as a service to help companies with recruitment services.

Seller: AURICO is a provider of background screening and drug testing.

Buyer: PER MAR SECURITY SERVICES is a super regional security solutions provider.

Seller: NORTHERN WISCONSIN SECURITY & SOUND is based in Arbor Vitae, Wisconsin and is a security solutions provider with an expertise in new home construction market.

Merger: ALLIEDBARTON SECURITY SERVICES and UNIVERSAL SERVICES OF AMERICA. AlliedBarton Security and Universal Services of America provides manned security solutions and advanced digital security technologies.

Buyer: CONVERGINT TECHNOLOGIES

Seller: TOTAL RECALL is a video-centric security technology provider specializing in video surveillance solutions.

Buyer: SUPREME SECURITY SYSTEMS is a regional security company.

Seller: HOMEGUARD ALARM SYSTEMS is based in Fair Haven, NJ.

Buyer: ADS is a super-regional security and automation company.

Seller: DETECTALERT is an alarm company headquartered in Melbourne, Florida.

Buyer: ALLEGION PLC (NYSE: ALLE)

Seller: TRELOCK GMBH is headquartered in Munster, Germany. They produce branded bicycle locks, lights and electronic control units. Their fiscal year ending June 30, 2015, was approx. €20 million in net revenue.

Buyer: NICE (NASDAQ: NICE)

Seller: INCONTACT (NASDAQ: SAAS) provides cloud contact center software solutions and network connectivity services. They have 1,015 employees, are headquartered in Salt Lake City, UT and had TTM Revenue of \$233M.

Buyer: TYCO SECURITY PRODUCTS

Seller: INNOMETRIKS INC. based in Oceanside, CA and **2DOGSSTUDIOS** are

developers of high assurance readers, software and mobile solutions for FIPS-201 (Federal Information Processing Standard) smart card credentials.

Buyer: NXT-ID is a biometric sensor company.

Seller: LOGICMARK is a manufacturer of PERS devices.

Buyer: AXIS COMMUNICATIONS

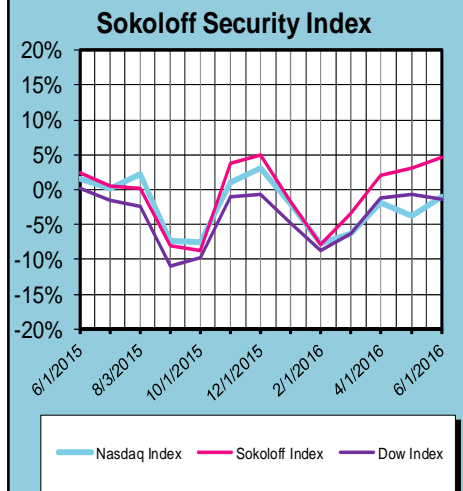
Seller: 2N is an IP intercom manufacturer based in Prague, Czech Republic with 200 employees.

Buyer: LOUD SECURITY is a systems integrator and alarm company.

Seller: SATURN SECURITY SYSTEMS is an alarm company based in Newnan, Georgia.

Buyer: NORTEK, INC.

Seller: NUIKU is a natural language processing platform for use with home automation and other applications. They are based in Redmond, WA.



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AN INTERVIEW WITH JAMIE SIMINOFF, CEO/ RING

This quarter, Sokoloff & Company interviews **Jamie Simonoff, CEO/FOUNDER** and the Chief Inventor of **RING**. The company manufactures a unique access control product which cuts down on burglaries before they happen by allowing users to see who is at their door even if they aren't physically at their address. This first of its kind wireless video doorbell monitoring system is compatible with all types of cellular devices and computers.

What is your background; have you always been an entrepreneur and inventor?

Since my early childhood and into my youth and adulthood I've always been involved in some sort of business and invention to make enough money to live above my means. In college I was in the Telco space dealing in voicemail, IT and email; I've always been an inventor of a variety of different things which got their start in my garage.

One was a gardening startup – *Snap Garden* – this was a modular garden - another was *Pokey Poke* which was a conference call reminder. It synced with your calendar and would ring and connect you directly to the call. It was cost prohibitive so it never got off its feet but was very useful. I used it myself for years. Ring actually came about when I was working out in the garage on another invention. I couldn't hear my doorbell when I was out there!

I've never been one to focus on just one space. With Ring it wasn't like oh, I'm in the security space. When I invented Pokey Poke, it wasn't because I was in

"Ring actually came about when I was working out in the garage on another invention. I couldn't hear my doorbell when I was out there!"

the Telco space. I've always been more like a rock falling down the hill than a sniper bullet and my inventions come from where my curiosity takes me.

How did the company get funded before you got on Shark Tank?

Initially, I funded Ring myself. When I started to run out of money we raised a small round –\$250K out of a million. But that was not enough to do what we

Soon after, **Richard Branson**, founder of **The Virgin Group** came in as an investor.

It took courage to walk away from the offer on Shark Tank but you believed in your product and had faith something better would come - tell us about that decision.

The decision was not easy. I couldn't sleep over it. I was very on the fence about what to do. We needed the money to keep the business going, but it wasn't a good offer. Still it was an offer. Further, saying "no" to the offer and walking away meant that the show probably had less chance of airing. But, I decided to hold out and luckily the show was aired and the rest is history.

How has your investor, Richard Branson helped to shape and market the company?

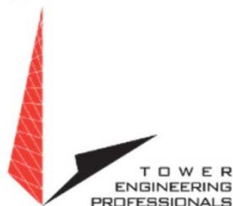
Richard has definitely helped shape the company but not in a way of directing us or telling us what to do. He's such a forward thinking person that just talking to him helps me focus the business. Richard is invested in Ring for how we do things and our ideas. We're not part of The Virgin Group and it's not about mimicking or being like Richard. I do things the way I do them, he does things the way he does them. It's about listening and bouncing ideas.

For example, we talk a lot about international expansion. He has a lot of experience but he never says do x or y. He says here's what we did to get to this point. We share thoughts.

What do you see as the biggest competitive threats to your business?

Right now there isn't a business out there like ours, but if there were, they would not be our competition – because that's looking at competition on a micro level. I look at competition on a macro level – Samsung and Apple are our competition. We have to match or exceed their amazing software, finish and fit.

This notice appears as a matter of record only.



Tower Engineering Professionals, Inc.
TEP Design Build, Inc.

Have been Acquired by Management and Investors.



The undersigned advised Tower Engineering Professionals.



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needed to do with the company so we went through the process of applying to Shark Tank and were selected.

Between the taping and the airing of the show we raised just enough to keep us going due to the credibility and awareness of being chosen. But we still weren't liquid and I was running out of cash. On the show, we received one offer, but the deal wasn't good enough and we decided to walk away. There is no guarantee that the show will air, but we were lucky and it did. This gave us so much publicity and so many new customers that we were able to take off.

No one cares when they buy our product that we are a startup, all they care about is does this thing that I've bought equal the experience of something I could've purchased from Samsung or Apple? Is it something I need, is it quality, does it compare to the big guys in ease of use? When a customer has \$200 to spend are they going to buy a product like ours, or something different from one of these giants?

We must deliver something that is as high a standard as these two companies would produce – and in this way, we are also in competition with ourselves to always exceed and improve what we put out.

How would you describe the corporate culture at Ring?

Extremely aggressive, competitive and exciting.

We are also humble. Apple does a quarter of a trillion a year and we know we are still just a flea on the back of the tech world. This keeps us driven so we attract people that want to win and succeed. It can be stressful, but it's exciting because we push to deliver a good product.

The residential DIY security and automated home markets are still at an early stage.

What needs to happen in order for products like yours to gain wider acceptance? How will security products like Ring integrate in the future with the automated home?

We don't look at market, we don't care. A company grows by satisfying a need for a customer. We don't worry about things happening in the space to gain acceptance or think about ourselves as a home automation company – we do **Ring Plus** which automates with locks and lights but this wasn't born out of

"We don't look at market, we don't care. A company grows by satisfying a need for a customer."

Jamie Simonoff, Founder, CEO, Chief Inventor, Ring

Jamie has founded several companies over the years—including Your First Step which merged with Nobel Ltd. becoming the world's largest online phone card seller and PhoneTag a voicemail-to-text business which was acquired by Ditech Networks in 2009 for \$17M. To date his current endeavor, Ring, has raised \$100 million from investors.



thinking about integration with home automation. We focus on satisfying a need for a customer at a certain price. As things evolve people will want more and it's the people we listen to.

too many companies wait too long to go public, which hurts the business and shareholders. A lot of companies will go public near the end of their life and the stock has no value or it's over inflated and tanks - losing money for people. When you go public early, you grow into your valuation, the investor grows with you and makes a lot of money. Companies like **Amazon** and **Microsoft** went public early and have made their investors a lot of money because there's somewhere to go, the company hasn't yet had their golden day and investors win as a result.

Another goal we have is that our brand be associated with our mission of reducing crime in neighborhoods. Regardless of which product of ours a consumer sees on the shelves our aim is that they connect our mission with our brand. Just like **Dyson** – when you see that brand, you don't think "vacuum cleaner" you think "inventor." When a consumer looks at our doorbell, we want them to think "reducing crime in neighborhoods."

Sokoloff & Company

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While at our website, surf around. There's plenty of useful information, including valuation case studies and our archive of newsletters tracking historical industry performance.

"Always do right. This will gratify some people and astonish the rest."
- Mark Twain (1901)

This notice appears as a matter of record only.



Cortel

Cortel, Inc. has been acquired by



J5 INFRASTRUCTURE PARTNERS

A partnership owned by management and investors.



Ridgemont EQUITY PARTNERS



CAPITAL ADVISORS

The undersigned advised Cortel, Inc.



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What are some of the new products and/or ideas in the security space that you most admire?

Three years ago I could've told you so many products that are out there that I admire. And I know that new inventions and great things are bubbling up all the time, but with Ring I've been so focused and busy that I haven't even been able to notice!

Where do you expect Ring to be five years from now, what are your goals?

I want Ring to be a public company 18 months from now. My opinion is that

SOKOLOFF & CO. VALUATION RANKINGS OF PUBLIC SECURITY COMPANIES Q1 2016 Reports and Stock Prices as of May 31, 2016

USA LISTED COMPANIES

Sokoloff & Company compiles a quarterly review of selected public security companies (and companies that dedicate a portion of their business to Security) and compares how each is valued by the public marketplace. Price to Earnings (market cap divided by earnings) and EVM, which is Enterprise Value divided by EBITDA (Earnings Before Taxes, Interest, Depreciation and Amortization).

The companies are ranked comparatively by EVS, which is Enterprise Value divided by Earnings. Price to Earnings (market cap divided by earnings) and EVM, which is Enterprise Value multiplied, the Enterprise Value divided by EBITDA (Earnings Before Taxes, Interest, Depreciation and Amortization).

Changed from last quarter: Checkpoint Systems (NYSE: CKP) was acquired by CCL Industries (TSX: CCLA). ADT (NYSE: ADT) was acquired by Apollo Global Management to merge with their portfolio company Protection 1

All multiples are based on trailing twelve months (TTM) numbers through the most recently reported quarter.

Note: The quarterly revenue percentage column is the increase (or decrease) from the same quarter in the previous year. Where fiscal year has differed from calendar year, the most recently reported information is used.

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Current Rank	Previous Rank	Company	Symbol	Stock Price 5/31/2016	52 Week Range	Market Cap 5/31/2016	(000s) Revenue 2013	(000s) Revenue 2014	(000s) Revenue 2015	(000s) Revenue 1st Q 15	(000s) Revenue 1st Q 16	Over Q1 2015 Incr/Decr	PIE	EVS	EVM	
1	1	Roper Industries, Inc.	ROP	171.08	150.91-195.93	17.31B	3,238,128	3,549,494	3,582,395	865,281	902,423	4.3%	25.20	5.52	16.03	
2	2	Taser Corp.	TASR	22.37	13.56-35.95	1.17B	137,831	164,525	197,892	44,762	55,530	24.1%	77.14	5.04	31.51	
3	3	Allegheny, Pfc.	ALLE	67.64	52.95-68.61	6.48B	2,069,600	2,118,300	2,068,100	458,700	502,300	9.5%	39.37	3.73	17.49	
4	5	Genetex Corporation	GNTX	16.58	12.93-17.54	4.79B	1,171,864	1,375,501	1,543,618	368,938	405,568	9.9%	15.07	2.74	7.80	
5	6	Flir Systems, Inc.	FLIR	31.15	25.12-34.09	4.29B	1,496,372	1,530,654	1,577,067	344,517	379,472	10.1%	22.33	2.57	11.72	
6	7	Honeywell	HON	113.82	87.00-116.56	86.74B	39,055,000	40,306,000	38,581,000	9,213,000	9,522,000	3.4%	18.47	2.44	12.11	
7	8	The Geo Group	GEO	33.26	25.52-38.61	2.46B	1,522,074	1,691,620	1,843,307	427,369	510,185	19.4%	17.23	2.42	13.23	
8	9	Verint	VRNT	32.99	29.76-66.45	2.05B	839,542	907,292	1,128,436	311,653	280,794	-9.9%	117.82	2.13	17.28	
9	10	Tyco International	TYCO	42.61	28.94-43.06	18.13B	10,073,000	10,332,000	9,902,000	2,430,000	2,331,000	-4.1%	41.01	2.09	12.91	
10	11	Stanley Black & Decker	SWK	113.20	88.72-115.15	16.99B	10,889,500	11,338,600	11,171,800	2,630,000	2,672,100	1.6%	18.72	1.87	11.82	
11	12	Northrop Grumman Holdings	NOC	212.77	152.31-218.84	38.39B	24,661,000	23,979,000	23,526,000	5,957,000	5,956,000	0.0%	19.32	1.86	12.49	
12	13	Lockheed Martin Corp.	LMT	236.29	181.91-245.37	71.94B	45,358,000	45,600,000	46,132,000	10,111,000	11,702,000	15.7%	20.90	1.82	13.56	
13	14	United Technologies Corp.	UTX	100.58	83.39-119.12	84.17B	62,626,000	57,900,000	56,098,000	13,320,000	13,357,000	0.3%	11.79	1.78	9.91	
14	15	Zebra Technologies Corp.*	ZBRA	53.11	48.51-119.47	2.77B	1,038,159	1,670,572	3,651,972	893,184	847,000	-5.2%	N/A	1.53	10.94	
15	16	Brady Corporation	BRC	31.78	18.46-32.22	1.60B	1,157,792	1,225,034	1,171,731	290,227	286,816	-1.2%	103.86	1.52	12.48	
16	17	Napco Security Systems, Inc	NSSC	6.58	5.05-7.60	123.62M	71,386	74,382	77,762	17,894	19,808	10.7%	22.53	1.46	15.90	
17	18	L-3 Communications Holdings	LLL	137.21	101.11-139.13	10.56B	12,622,000	10,466,000	10,986,000	2,488,000	2,353,000	-5.4%	N/A	1.33	11.83	
18	19	Siemens AG	SI	96.79	77.91-100.90	78.27B	92,101,000	79,532,000	84,455,000	23,714,000	25,473,000	7.4%	15.09	1.22	10.98	
19	20	OSI Systems	OSIS	53.28	48.19-96.75	1.01B	802,047	906,742	958,202	215,375	210,804	-2.1%	25.40	1.16	7.46	
20	21	CACI International, Inc.	CACI	100.78	72.19-111.13	2.45B	3,681,990	3,564,562	3,313,452	817,797	977,274	19.5%	17.82	1.11	11.94	
21	22	Johnson Controls	JCI	44.16	33.62-54.52	28.63B	41,410,000	38,749,000	37,179,000	9,198,000	9,031,000	-1.8%	64.28	0.97	10.80	
22	23	ManTech International	MANI	35.93	24.90-39.15	1.36B	2,310,072	1,773,981	1,550,117	370,330	390,662	5.5%	25.74	0.82	10.88	
23	24	Diebold	DBD	25.86	22.84-38.94	1.68B	2,857,491	2,734,800	2,424,300	574,800	509,600	-11.3%	6.97	0.77	10.72	
24	25	Megal Security Systems Ltd.	MAGS	4.74	3.93-5.20	77.73M	51,517	77,543	63,736	11,758	12,603	7.2%	24.95	0.75	8.06	
25	26	Brink's Company	BCO	29.15	25.80-35.35	1.44B	3,779,000	3,562,000	3,061,000	776,000	722,000	-7.0%	N/A	0.58	7.75	
26	27	Identix Group	INVE	2.04	1.39-6.87	21.92M	74,284	81,249	60,794	14,934	12,485	-16.4%	N/A	0.56	N/A	
27	28	Anixter International, Inc.	AXE	60.30	37.60-70.29	1.99B	6,226,500	5,507,000	6,190,500	1,385,100	1,816,200	31.1%	15.31	0.52	9.40	
28	30	Vicon Industries, Inc.	VII	0.79	.65-2.55	7.39M	39,846	34,878	44,884	10,269	7,998	-22.1%	N/A	0.11	N/A	
Sokoloff Index							371,360,995	350,752,729	352,540,065	87,259,888	91,246,622	Quarterly Growth Over Q1 2015				
							Over Year 2012	Over Year 2013	Over Year 2014	Over Q4 2015						
							-2.1%	-5.5%	0.5%	1.3%						
							Growth over previous period									
							*2015 Year End Revenues for Zebra (Nasdaq: ZBRA) include two months of results of the recently acquired Enterprise business that the company acquired from Motorola Solutions.									
							Average	Median					33.32	22.33	1.80	11.83
													3.3%	2.5%	1.53	11.83



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