

# Security Finance Newsletter

June 2010

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Volume VI, Issue 2

## 1st QUARTER ANNOUNCED Mergers & Acquisitions

**Buyer: TYCO INTERNATIONAL** (NYSE: TYC) provides security products and services as well as fire protection and detection products.

**Seller: BRINKS HOME SECURITY HOLDINGS** (NYSE:CFL), now operating as **BROADVIEW SECURITY**. Broadview has revenue of about \$565 million.

\* \* \*

**Merger: SCM MICROSYSTEMS** (NYSE: SCMM) and **BLUEHILL ID AG** out of Switzerland (FSE: BUQ) combined to create a signature company for security and identity-based technologies and solutions. The new company will be known as **IDENTIVE** and will trade on the NASDAQ under "INVE".

\* \* \*

**Buyer: IBM** (NYSE: IBM) a developer and manufacturer of IT products and services.

**Seller: NATIONAL INTEREST SECURITY COMPANY (NISC)** offers a full range of services and solutions in the areas of defense, healthcare, energy, logistics and security. Headquartered in Fairfax, Virginia, NISC has over 1000 employees worldwide.

\* \* \*

**Buyer: MOTOROLA** (NYSE: MOT) a Fortune 500 company in the wireless and broadband communications arena that currently invests in video infrastructure solutions.

**Seller: SECUREM LLC** (NYSE: GE), a developer of software-based digital rights management and security systems for IP Video distribution and management. The company will become part of Motorola's Home & Networks Mobility Business.

\* \* \*

**Buyer: COMCAM INTERNATIONAL** (OTC BB: CMCJ.OB) a developer of network video command-and-control products that specializes in wireless IP, mobile, and wearable

devices ideal for use in hostile environments.

**Seller: PINNACLE INTEGRATED SYSTEMS** is a system integrator out of NYC with 12 people on staff. All employees will remain on board with ComCam.

\* \* \*

**Buyer: CACI INTERNATIONAL, INC.** (NYSE: CASI) provides information systems and technology and professional services to governments and enterprises.

**Seller: SYSTEMWARE** is a manufacturer of signals acquisition and analysis systems to detect cyber security and physical security vulnerabilities. Located in Camarillo, CA the company reported revenues of \$16 million in calendar year 2009.

\* \* \*

**Buyer: MANTECH INTERNATIONAL CORPORATION** (NASDAQ: MANT) provides technologies and solutions for national security programs in the US and internationally.

**Seller: SENSOR TECHNOLOGIES** is a leading provider of mission-critical systems engineering and Command, Control, Communications, Computers, Intelligence, Surveillance and Reconnaissance (C4ISR) services and solutions to the Department of Defense. Headquartered in Red Bank, New Jersey, the company is expected to produce \$450 million in revenue for 2010.

\* \* \*

**Buyer: RF LOGICS, INC.** is a supplier of access control hardware and software for government and commercial markets.

**Seller: ME2 SECURITY, LLC** is based in Chester Springs, Pennsylvania and

provides security and access control software development and custom engineering services.

\* \* \*

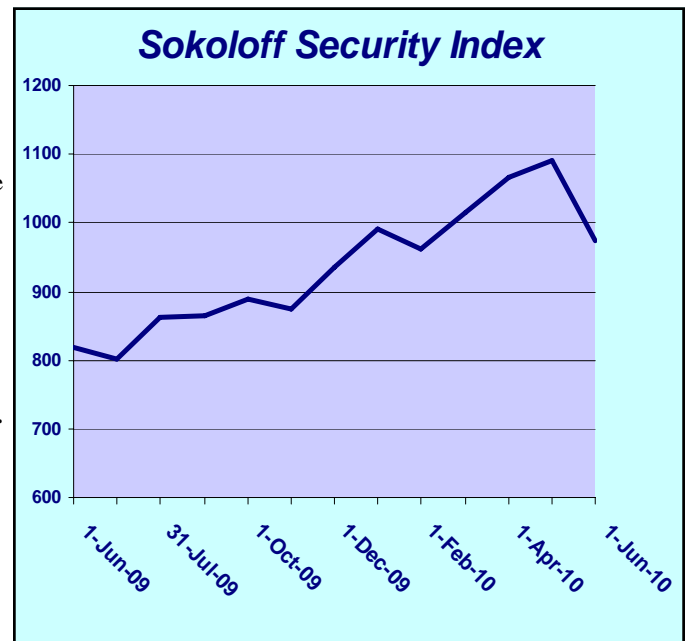
**Buyer: L-3 COMMUNICATIONS** (NYSE: LLL) is a prime contractor in aircraft modernization and maintenance and is also a leading provider of high technology products, subsystems and systems.

**Seller: INSIGHT TECHNOLOGY INC.** develops and manufactures mission critical night vision and electro-optical equipment. Based in Londonderry, New Hampshire, Insight employs approximately 1,100 people and is expected to generate revenues of \$290 million for 2010.

\* \* \*

**Buyer: AUTHENTEC** (NASDAQ: AUTH) supplies security and identity management solutions.

**Seller: SAFENET, INC.'S EMBEDDED SECURITY SOLUTIONS DIVISION** manufactures products that ensure data privacy for businesses and individuals. They recorded revenues of \$15.5 million in 2009.



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## **INTERVIEW WITH Ayman Ashour/Chairman/CEO IDENTIVE GROUP**

**Identive Group (NASDAQ: INVE)** is an International Company which focuses on the areas of physical and logical access control including identity management and RFID. Under the Group's umbrella are the businesses of SCM Microsystems, Hirsch Electronics, Multicard, TagStar Systems, Arygon Technologies, Syscan ID and ACiG Technology. **Chairman/CEO Ayman Ashour**, speaks to Sokoloff & Company about Identive's new vision.

### ***Please tell us the background of Identive.***

Identive Group was established in January 2010, following the combination of SCM Microsystems, Inc. and Bluehill ID AG. The new company brings together the growth model and proven expertise of Bluehill ID with the scale, global infrastructure and significant market presence of SCM Microsystems and its Hirsch Electronics subsidiary.

**Identive's vision is to create the signature company in the identification, RFID and security industries.** To achieve this goal, the company has adopted a "buy, build and grow" strategy that leverages both organic growth and technology-driven acquisitions. On the acquisition side, the company's aim is to take advantage of the tremendous growth potential of the ID/RFID market and act as a consolidator in a highly fragmented industry.

Identive today has approximately 350 employees and is headquartered in California, with operational and European headquarters in Germany and additional offices in Australia, Brazil, Canada, Europe, Hong Kong, India, Japan, the Middle East and the United States. The Company is traded on both NASDAQ under the symbol "INVE" and on the Frankfurt Stock Exchange under the symbol "INV."

### ***What is the common thread that ties all of your brands together and how do they work together yet keep their own independent vision?***

Each of the individual operating businesses within Identive Group is focused on its own key area of expertise to reach across the complete RFID value chain. Identive actively supports the businesses within the group to help them to expand and to compete more effectively in the global RFID technology marketplace. Dedicated

resources at the holding level are focused on post acquisition integration and optimizing operational performance. The businesses are mostly responsible themselves to address their respective markets as they see fit.

Our businesses have well known brands with strong market recognition and a global base of customers. The **Hirsch, SCM, Multicard, TagStar, Arygon, Syscan** and **ACiG** brands are well respected and constitute strong assets on which the new combined group can build. Over time, there will also be opportunities for one or more businesses to work together on specific projects or market needs.

***This notice appears as a matter of record only.***



A subsidiary of Orad Group Ltd. 

**has been acquired by**



***Cool down.  
Fire Protection by  
MINIMAX***

***The undersigned advised Orad Group Ltd.***



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### ***What were the drivers of the combination of SCM Microsystems and Bluehill ID?***

The primary motivation for the combination was to achieve the scale that could accelerate growth and create a signature company for access control, identification and RFID technologies.

Additionally, the merger extends and complements the product offerings, market access and geographical reach of the different businesses and brands.

### ***How have you proceeded to mesh the different corporate cultures of the merged companies?***

Since each new business brings its own values and practices to the group, the culture of Identive Group will continue to change, at least a little. However, there are fundamental values -

**Identive's vision is to create the signature company in the identification, RFID and security industries.**

such as customer focus, technological excellence and profitability - that all entities within the Group have in common. As our business model is based on frequent acquisitions and thus change, a significant amount of time and energy is spent prior to anything being agreed to or signed. The goal is make sure that Identive and the acquired company have compatible management, cultures, and of course complementary market positions and technologies. The focus here is on a shared commitment to profit driven growth.

### ***How do you train, find and keep your employees?***

The majority of Identive's employees come into the company through acquisitions. However, we also recruit selectively for key positions and areas of expertise. For example, we hired some of the most well-regarded experts from the contactless industry. With these additions to our staff, we not only extended our competencies, but made it possible to benefit from their extensive network of colleagues within the greater Identity Management industry.

**Two things are critical in keeping employees motivated: communication and results.** We spend a lot of time communicating the company's strategy, challenges and successes through email and face to face group meetings. In the end, improved performance is a strong motivator, as everyone participates in the company's success.

### ***How do you keep the consistency of delivering excellence across the company when there are so many different countries in which you operate?***

Each individual business within the group has its own long-lasting and efficient relationships with suppliers, vendors, distributors, partners, and other companies in their respective markets to ensure excellent quality of products and services.

Our acquisition and business model leverage the work of our individual businesses in their respective markets while at the same time helping each business to improve its own performance. At the same time, Identive can provide the additional resources to help take advantage of potential synergies between individual businesses.

### ***Identive does a lot of work for the government. How is working with the government different than working with a public or private company?***

Structures of government agencies are more complex and decision making frequently takes

longer, as there are multiple authorities involved.

Our individual businesses work with diverse partners to address the needs of government customers at the local and national level, in many nations. Each has developed its own reputation as a trusted, reliable provider of security solutions to the government sector. **We expect that the U.S. government will continue to be a significant component of our Hirsch and SCM business as U.S. government agencies continue to enhance their security systems to comply with federal mandates such as HSPD-12.**

*Where do new technological ideas for the company come from and what is the process of bringing them to market?*

New ideas emerge from a variety of sources, including discussions with customers or partners, from our Sales team coming back from exhibitions or events they have been attending, or from our dedicated research and development team. In addition, our product management team is always searching for interesting opportunities.

*What does the future of RFID look like and how is Identive preparing for that?*

**One major trend is that over time, the whole smart card market will move to contactless (RFID) technologies.** The shift to contactless devices to facilitate payment, secure physical and logical access and other services is a global trend and is growing rapidly across several sectors and regions. Already today, four out of five developments are based on contactless technologies or are used in contactless environment.

Through our group of companies, we offer a range of solutions to help customers wherever they are in the process: from a gradual adoption of contactless solutions for limited projects to full implementation of RFID technologies across the system.

*What trends do you see happening in the security industry?*

We see several trends for the future – product and market-wise: Talking about products and cards in particular, the form factor of the devices holding the credentials certainly will change going forward. Already today we see lots of token-based devices which hold smart

**One major trend is that over time, the whole smart card market will move to contactless (RFID) technologies.**

**Ayman Ashour**  
Chairman/CEO Identive Group

Ashour is the founder and CEO of Bluehill ID AG and helped to orchestrate the merging of SCM Microsystems with Bluehill to create the Identive Group. Prior to this, he was the CEO of Assa Abloy Identification Technology business where he was responsible for the worldwide development of one of the largest and most successful RFID companies. He is currently an Adjunct Lecturer for the MBA program at the Sawyer Business School at Suffolk University in Boston.



card chips either embedded or as SIM-Cards. Looking into the rapid development of both mobile payment or mobile authentication, smart card technology being attached or integrated in devices such as PDAs will become more and more common going forward.

**systems, the enhancement of smart cards with contactless technologies, and the marriage of identification technologies with mobile communication.** We are therefore able to provide identification and authentication solutions for applications ranging from secure access to asset tracking to transaction processing for mobile and fixed installations.

*How does Identive plan to grow the company and which new global areas is the business thinking of reaching out to?*

**Our focus now is to work on strengthening our combined technology platforms, leveraging our expanded geographical market reach and continuing to cultivate a tight, coherent team.**

Acquisitions and investments are a core pillar of our growth strategy and so we continue to execute on our “buy, build and grow” strategy. A variety of things can make an acquisition compelling for us: a strong geographic presence, key technology, market coverage... in the end the important thing for us is that an acquisition strengthen our capabilities within the RFID value chain while helping to drive consolidation in the market.

**Contact**  
**Sokoloff & Company**

**Please contact Bernie Walko, Managing Director for a confidential consultation about your company’s merger and acquisition needs.**

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**While at our website, surf around. There’s plenty of useful information, including our archive of M&A Transaction Case Histories.**

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

*This notice appears as a matter of record only.*

**Quanta Systems**



**A CompuDyne Corporation**  
**Portfolio Company of the Gores Group**

has been acquired by

 **BLACK BOX**  
**NETWORK SERVICES**

*The undersigned advised CompuDyne.*



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Regarding the market, we see the security and RFID markets as high growth and technology driven, but also highly fragmented. This fragmentation comes in part from lack of common standards, fast moving technologies and a variety of trends that are not necessarily connected. To us, consolidation of the industry into fewer, stronger players is an important move to allow the best companies to gain more control in this fast-moving market. While the suppliers may be fragmented, among customers there is a growing demand for converged security solutions – products and systems that address more than one need.

**Identive Group stands in a unique position, at the center of three convergence trends: the integration of physical and logical access**

# SOKOLOFF & CO. VALUATION RANKINGS OF PUBLIC SECURITY COMPANIES\*

Q1 2010 Reports and Stock Prices as of June 3, 2010  
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. The companies are ranked comparatively by **EV/S**, which is Enterprise Value divided by **Sales**. Other comparative indicators shown are **P/E**, **Price to Earnings** (market cap divided by earnings) and **EVM**, which is Enterprise Value Multiple: the Enterprise Value divided by EBITDA (Earnings Before Taxes, Interest, Depreciation and Amortization). All multiples are based on trailing twelve months (TTM) numbers through the most recently reported quarter. Changed from last quarter: GE (NYSE: GE) was removed from the Index as it sold its Security Business to UTC at the end of the fourth quarter. Identive Group (NYSE: INVE) was added.

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. This information is provided strictly for informational purposes to industry senior executives. Sokoloff & Co. makes no representations as to its accuracy. Sokoloff & Co. does not advise public investors; therefore this information should not be used for investing purposes.

Current Rank*	Previous Rank*	Company	Symbol	Stock Price 6/3/2010	52 Week Range	Market Cap 6/3/2010	2007 Revenue (000s)	2008 Revenue (000s)	2009 Revenue (000s)	1st Q 10 Revenue (000s)	Over Q1 2009 Incr/Decr	P/E	EV/S	EVM
1	1	Sourcefire, Inc.	FIRE	19.99	10.83-28.00	549.19M	58,859	75,673	103,465	25,831	38.9%	53.16	4.01	31.21
2	6	Cogent, Inc.	COGT	9.06	7.96-11.63	811.27M	105,794	125,861	129,583	24,398	-21.4%	28.75	3.89	12.07
3	2	Gentex Corporation	GNTX	19.71	9.87-22.99	2.75B	653,933	623,800	544,523	185,769	98.0%	27.61	3.61	13.11
4	5	Filtr Systems, Inc.	FLIR	28.80	20.36-33.35	4.42B	779,397	1,076,974	1,147,087	287,298	5.6%	19.86	3.35	9.92
5	10	The Stanley Works	SWK	57.25	31.20-66.27	9.18B	4,360,500	4,426,200	3,737,100	1,262,000	38.2%	61.89	2.63	16.99
6	8	Protection One, Inc.	PONE	15.80	2.34-15.99	401.87M	347,871	372,021	368,052	88,315	-5.0%	25.73	2.24	9.20
7	4	Taser Corp.	TASR	4.32	3.94-7.88	270.33M	100,727	92,846	104,252	23,844	-3.1%	N/A	2.14	49.67
8	9	L-1 Identity Solutions, Inc.	ID	7.37	5.67-9.50	684.44M	389,507	562,872	650,000	148,151	-1.4%	N/A	1.73	16.03
9	7	Zebra Technologies Corp.	ZBRA	27.16	20.98-31.00	1.57B	868,279	976,700	803,585	226,431	17.6%	25.6	1.65	11.20
10	11	Braeb Corporation	BRCA	29.01	23.00-35.37	1.52B	1,362,631	1,523,016	1,208,702	321,887	16.3%	19.28	1.35	8.56
11	13	The Geo Group	GEO	21.07	16.82-23.18	1.04B	976,299	1,043,006	1,141,090	287,542	1.0%	15.85	1.34	8.74
12	12	United Technologies Corp.	UTX	67.46	49.00-77.09	62.95B	54,759,000	59,757,000	52,920,000	12,091,000	-1.3%	15.78	1.31	7.83
13	New	Identive Group	INVE	1.60	1.29-3.11	68.69M	30,400	28,362	41,315	15,346	197.7%	N/A	1.31	N/A
14	35	AuthenTec	AUTH	2.88	1.59-3.49	86.12M	52,344	63,948	34,066	9,176	30.4%	N/A	1.19	N/A
15	17	Ingersoll Rand	IR	38.51	19.48-40.60	12.40B	8,763,100	13,227,400	13,195,300	2,953,400	0.7%	26.76	1.17	10.82
16	14	Honeywell	HON	42.93	29.17-48.63	32.89B	34,589,000	36,556,000	30,908,000	7,776,000	2.7%	15.31	1.16	8.34
17	16	ICx Technologies, Inc.	ICXT	6.64	4.48-10.49	231.68M	136,162	170,194	183,428	40,570	-14.4%	N/A	1.11	36.49
18	15	Tyco International	TYC	36.43	25.24-40.61	17.32B	18,477,000	20,199,000	17,237,000	4,169,000	0.5%	15.71	1.10	6.86
19	18	Napco Security Systems, Inc	NSSC	2.11	1.11-3.02	40.29M	66,202	68,367	69,565	16,015	14.2%	N/A	0.96	N/A
20	19	Checkpoint Systems, Inc	CKP	19.10	13.32-23.92	754.07M	834,156	917,082	772,718	187,456	17.9%	23.99	0.87	7.92
21	22	Siemens AG	SI	91.60	63.37-103.10	79.58B	92,241,000	104,308,000	103,396,000	22,319,000	-3.8%	21.14	0.85	7.11
22	23	ManTech International	MANI	46.72	38.47-55.11	1.69B	1,448,000	1,870,879	2,020,334	587,557	30.7%	14.69	0.82	8.71
23	20	OSI Systems	OSIS	26.10	16.31-32.58	476.22M	532,284	623,088	590,361	145,401	0.9%	23.71	0.81	9.06
24	21	L-3 Communications Holdings	LLL	82.24	63.57-97.81	9.52B	13,961,000	14,901,000	15,615,000	3,620,000	-0.4%	10.51	0.80	6.54
25	26	Diabold	DBD	29.08	18.26-35.20	1.92B	2,947,481	3,081,838	2,718,292	618,999	-5.8%	40.28	0.76	8.34
26	28	Lockheed Martin Corp.	LMT	79.80	67.39-87.18	29.61B	41,862,000	42,731,000	45,189,000	10,637,000	2.5%	10.55	0.69	6.25
27	25	Johnson Controls	JCI	28.91	19.30-35.77	19.45B	34,624,000	38,062,000	28,497,000	8,317,000	31.7%	16.95	0.68	10.85
28	30	Northrop Grumman Holdings	NOG	60.82	42.51-69.80	18.32B	31,828,000	32,315,000	33,755,000	8,610,000	8.5%	10.91	0.59	5.97
29	32	Henry Bros Electronics	HBE	3.82	3.01-6.60	23.09M	57,852	62,358	55,106	12,441	-18.7%	N/A	0.48	230.68
30	29	Magal Security Systems Ltd.	MAGS	2.57	2.50-5.42	26.72M	72,375	57,105	54,518	14,966	-10.1%	N/A	0.46	N/A
31	27	ActivIdentity Corp.	ACTI	2.36	2.01-3.33	113.47M	59,553	59,009	62,321	14,234	-11.8%	N/A	0.42	N/A
32	33	URS Corporation	URS	43.93	38.03-53.25	3.64B	5,383,007	10,086,289	9,249,088	2,207,476	-12.4%	12.42	0.42	7.32
33	34	Brinks Company	BCO	22.29	21.92-30.66	1.07B	2,735,000	3,164,000	3,135,000	735,000	8.4%	6.34	0.37	3.93
34	24	LaserCard Corp.	LCRD	4.91	3.13-9.84	60.07M	32,270	35,095	49,771	14,178	-3.4%	10.02	0.36	2.31
35	31	RAE Systems, Inc.	RAE	0.74	.65-2.23	43.92M	90,836	95,383	83,172	18,795	-1.7%	N/A	0.36	N/A
36	36	Richardson Electronics, Ltd.	RELL	9.49	2.84-12.35	167.41M	557,291	568,409	496,379	121,330	10.0%	N/A	0.33	9.66
<b>Sokoloff Index</b>				<b>983.09</b>			356,140,110	393,906,775	370,265,173	88,132,806				
							Over Year 2006	Over Year 2007	Over Year 2008	Over Q4-2009				
							<b>9.4%</b>	<b>10.6%</b>	<b>-6.0%</b>	<b>-7.0%</b>				
										<b>Average</b>				
										<b>Median</b>				
											<b>Quarterly Growth</b>			
											<b>12.99%</b>	<b>22.11</b>	<b>1.31</b>	<b>19.39</b>
											<b>1.7%</b>	<b>19.28</b>	<b>1.03</b>	<b>8.90</b>



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