

# Security Finance Newsletter

September 2013

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Volume IX, Issue 3

## 2nd/3rd QUARTER MERGERS & ACQUISITIONS

**Buyer: AVIGILON CORPORATION (TSX: AVO)** is based in Canada and is a manufacturer of high-definition (HD) and megapixel surveillance solutions.

**Seller: REDCLOUD SECURITY, INC.** is a provider of web-based, physical and virtual access control systems. RedCloud reported more than \$100 million in revenue for 2012. The company is based in Sterling, Virginia.

**Buyer: DIRECTV**

**Seller: LIFESHIELD.** Formerly known as InGrid, LifeShield is a self-installed, professionally monitored, wireless digital security system.

**Buyer: TYCO (NYSE: TYCO)**

**Seller: EXACQ TECHNOLOGIES** develops video management systems for security and surveillance uses and is based in Indiana.

**Buyer: UNIVERSAL PROTECTION SERVICE**

**Seller: GUARD DIVISION of BOYD & ASSOCIATES.** Boyd and Associates retained their central station alarm business but sold their guarding division which provides security services to gated communities and high-end commercial customers.

**Buyer: ALARM CAPITAL ALLIANCE** is an alarm monitoring company.

**Seller: SECURITY COMMUNICATIONS AUDIO NETWORK** is an alarm monitoring company headquartered in Southampton, New York with about 40 employees.

**Buyer: RAYTHEON COMPANY (NYSE: RTN)**

**Seller: VISUAL ANALYTICS, INC.** provides data analytics, decision support, and information sharing software solutions to scrutinize money laundering, financial crimes, border security, frauds, and racket in domestic and international, commercial and government markets.

**Buyer: MONITRONICS** is a residential and commercial security monitoring company.

**Seller: SECURITY NETWORKS** is the 14<sup>th</sup> largest

residential alarm monitoring company in the United States. They are headquartered in Florida. 2012 Revenues were \$78.5 Million.

See Sokoloff & Company Case Study for More Details: <http://sokoloffco.com/transactioncasestudy/07-11-13.php>

**Buyer: ADT (NYSE: ADT)**

**Seller: DEVCON SECURITY** owned by **GOLDEN GATE CAPITAL.** Devcon is an alarm company based in Florida.

**Buyer: SCHNEIDER ELECTRIC (PARIS: SU)**

**Seller: INVENSYS.** Headquartered in London, England, Invensys operates through four focused divisions - Software Systems, Automation Systems, Power Systems and Control Systems.

**Buyer: ACCENTURE FEDERAL SERVICES** a division of **ACCENTURE (NYSE: ACN).**

**Seller: ASM RESEARCH, INC.** is a provider of advanced information solutions and services to U.S. defense and federal health clients. They are headquartered in Fairfax, VA.

**Buyer: WORLD WIDE SECURITY** is a full service security company dealing in alarm monitoring, fire, crime and loss prevention.

**Seller: CCTV SECURITY** is an electronic systems integrator and is headquartered in Long Island with ten employees.

**Buyer: FLIR SYSTEMS, INC. (NASDAQ: FLIR)**

**Seller: DIGITALOPTICS CORPORATION'S MICRO-OPTICS ASSETS.** DigitalOptics' micro-optics business, based in Charlotte, North Carolina, is a fabricator of optics technologies which are used in a wide array of industries and applications, including security and surveillance.

**Buyer: ROCKWELL COLLINS (NYSE: COL)** designs, produces, and supports communications and aviation electronics for commercial and military customers worldwide.

**Seller: ARINC** owned by **CARLYLE GROUP** provides access control, biometrics, command and control centers, communication equipment, digital video recorders, intrusion detection equipment, perimeter protection, software, night vision devices, crisis and emergency management.

**Buyer: IBM (NYSE: IBM)**

**Seller: TRUSTEER** provides software to protect organizations against financial fraud and security threats. Their offices are located in Boston and Tel Aviv.

**Buyer: VECTOR SECURITY** is a national systems integrator.

**Seller: IRG** is a managed network services company. They install and extend network connectivity, and have relationships with all of the national cable and telecom providers. They have 32 employees.

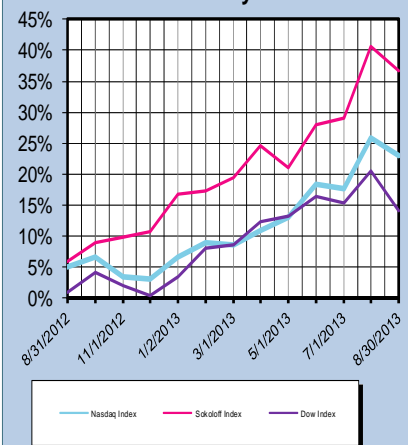
**Buyers: KABA** is a provider of access control solutions.

**Seller: SHENZHEN PROBUCK TECHNOLOGIES CO. LTD.** specializes in electronic door lock solutions with biometric identification as well as time and attendance terminals. They are based in Shenzhen (China) and have around 340 employees.

**Buyer: NORTHROP GRUMMAN AUSTRALIA (NYSE: NOC)**

**Seller: QANTAS DEFENCE SERVICES PTY (QDS)** provides integrated logistics, sustainment and modernization support to Australian government and military customers. QDS has more than 300 employees.

Sokoloff Security Index



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## INTERVIEW WITH SMARTVUE CEO, MARTIN RENKIS

This quarter, Sokoloff & Company interviews **Martin Renkis**, CEO of Nashville based, cloud video surveillance technology company, **Smartvue**.

### *How and why did you found Smartvue?*

After a short stint as an assistant film editor straight out of college, I started a commercial video production house in New York City and have been starting and running my own companies ever since. After leaving New York, I started a business called Trainersoft Corporation, which developed learning software platforms that helped over 5,000 organizations create and deliver their own interactive online training worldwide. While running Trainersoft, I had a vision of a safer world driven by video surveillance using the nascent Internet. It was in 1996 that I built a small wireless camera system and using a dial-up modem, demonstrated cloud video surveillance to my wife. That was the start of Smartvue®. In 2002, I sold Trainersoft to a venture-backed firm and focused all my energies on building a surveillance technology company.

### *What are the most challenging as well as fulfilling aspects of your day to day work with the company?*

The most enjoyable moments at Smartvue are working with my team on developing new technologies and seeing those turn into successful integrations.

Most recently we launched cloud video surveillance installations for Toby Keith's restaurants, two major new school districts, and the largest group of childcare centers in the USA. It is inspiring to know that we are keeping thousands of people, especially school children, safe everyday. The day to day reality is that there are many challenges in a fast-growing company and most of my day is spent on blocking and tackling with sales, marketing, new hires, infrastructure, partnerships, and capital management. It is 1% inspiration and 99% perspiration.

### *What sets Smartvue apart from other cloud surveillance companies?*

Everyday we have an all-hands meeting that starts with our mission statement "to make the world a safer place with amazing surveillance technologies that are elegantly simple." I believe that we are the only technology company in our industry that is laser-focused on making complicated business surveillance awesomely and elegantly simple. Our company developed the world's first self-configuring network video surveillance product and continues to innovate with

"I encourage our engineers not to be limited by today, but to think out of the box and design technologies that people will be using three to five years from now."

### *Tell us about your R&D process and how the company comes up with new ideas.*

One of the inventors of the artificial heart, Robert Jarvik, once said that entrepreneurs are "visionaries with a poorly developed sense of fear and no concept of the odds against them." **I encourage our engineers not to be limited by today, but to think out of the box and design technologies**

**that people will be using three to five years from now.** That strategy has proven itself over and over again. Smartvue built the world's first commercial H.264 and WDR IP cameras, the world's first 802.11N wireless IP cameras and wireless NVRs, as well as the first self-configuring video surveillance cloud solution. We have over 17 patents in the USA, China, and Europe that support our vision and we continue to invent the future of surveillance.

*Smartvue is now part of the NetApp Partner Alliance Program. Tell us about that and what it means for the company.*

We are proud to work with NetApp, one of the global leaders in storage systems and software. **Our partnership allows Smartvue to deliver enterprise scale video surveillance solutions that reduce the video data center footprint by 50% and improve video storage utilization by 200%.** This unique relationship leverages the strengths of both companies and brings us into much larger projects including national security and international businesses. It is a privilege to work with the amazing team at NetApp.

*Smartvue uses Twitter, Facebook, and YouTube to announce new products and successes. This is a little ahead of the curve of a lot of standard security companies who use more traditional marketing. Has this had a strong impact on improving your reach to customers, how do you manage it and how do you grow your base by using social marketing?*

Your average security industry executive may not be social network savvy, but his customers are. Smartvue has over 4,000

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

**Red Oak Growth Partners**

**INSIGHT VENTURE PARTNERS**

  
EGIS  
CAPITAL PARTNERS

Have invested in

**CSSN**  
**Card Scanning Solutions**

The undersigned advised Card Scanning Solutions, Inc.

  
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self-configuring cloud solutions and elegant mobile cloud apps such as the world's first cloud surveillance app for Windows 8. **What makes Smartvue technologies unique is that we offer the fastest and most cost-effective cloud video surveillance platform for organizations with multiple locations.** Our cloud solution can deliver a live video experience from 100 different locations simultaneously in a single web-browser and enable management of thousands of servers and cameras from one easy to use dashboard.

followers on Twitter and thousands on Facebook. I believe we have built a relationship with customers and potential customers that creates a sense of trust based on sharing information using those venues. For Smartvue in particular, social media acts as a support tool for our other marketing efforts. Driving potential clients to the website in turn creates links into our social media portals as well as YouTube where they can learn more about what we do and how we do it. From my perspective, the website acts as an information tool and social media acts as a relationship tool. The ongoing challenge is to get mind-share, have our customers and potential customers share information with us and also have them want to learn about Smartvue.

**What is the corporate culture at Smartvue?**

I like to describe our culture as “disciplined creativity.” Our COO is a former West Point Military Academy graduate and Army Ranger and I graduated with degrees in Economics and Cinema and directed films; one of which was in the Berlin Film Festival. Our other employees are pilots, musicians, former military, and college quarterbacks. **Smartvue is one of the most lively and engaging businesses I know because we encourage independent thinking in a results driven environment.** This is also a competitive differentiator which helps us attract innovative talent.

**What major trends do you see in Security that will affect your company in the long term?**

Smartvue is focused primarily on meeting the specific surveillance needs of multiple site businesses such as retail, restaurant, education and organizations with more than 100 locations. Over the next five years I expect the cloud to become more prevalent for these customers and in the security industry in general. This in turn will drive demand for cloud video surveillance. We

**Martin Renkis**  
 Founder/CEO

Martin was formerly the founder /CEO of Trainersoft Corporation, which he sold to Outstart (now part of IBM) in 2002. Prior to Trainersoft, Martin was the founder/CEO of Kino Cinematograph, a film and video production company based in NYC. His documentary film *The Last Station* was selected for the 1984 Berlin Film Festival.



have been offering cloud services since 1999 and our solutions include bandwidth optimized cloud storage using our Cloudvue® Storage service, collaborative video sharing using our Sharevue® service and enterprise surveillance management using our Commandvue® service. We have won more awards for cloud video surveil-

and web interfaces on tablets and computers, we will not only leverage technologies such as cloud surveillance for security reasons, but also for visual business intelligence so we can make faster and better business decisions across one or thousands of locations. This requires a fast and cost-effective video platform that other technologies such as access control, people counting, heat maps, object tracking and other business analytics can work with. I believe this is the future of video security on the cloud and for the Smartvue platform.

**What are the goals for the company for 2013?**

Our goals this year are to double our revenue and continue to release new solutions which extend our cloud platform. We are on track with our revenue goal and have released the cost-effective new S9i Cloud Server as well as an updated Cloudvue platform optimized for even lower bandwidth Internet connections at remote surveillance locations. There are still a few more technology surprises up our sleeve for 2013.

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

**Please contact Bernie Walko, Managing Director for a confidential consultation about your company’s merger and acquisition needs.**  
**818-547-4500**  
**bwalko@sokoloffco.com**

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

**dmn**

DMN Ltd., UK

Has been acquired by

**THE GORES GROUP**

The undersigned advised DMN Ltd.

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lance than any other company in the industry and I expect the cloud trend to continue to drive business at Smartvue over the long term.

**Give us an idea of what the future of cloud security looks like.**

Physical security in the cloud will be as common as email and Internet banking. From my perspective, what we look at today as “new” technology is really an evolutionary step that makes all types of security, including video surveillance, more efficient and cost-effective. Using mobile devices

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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)

## SOKOLOFF & CO. VALUATION RANKINGS OF PUBLIC SECURITY COMPANIES Q2 2013 Reports and Stock Prices as of August 29, 2013

Sokoloff & Company completes 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 **EVS**, 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 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.

(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 8/29/2013	52 Week Range	Market Cap 8/29/2013	(000s)				(000s)		(000s)		P/E	EVS	EVM
							2010 Revenue	2011 Revenue	2012 Revenue	2nd Q 12 Revenue	2nd Q 13 Revenue	2nd Q 12 Revenue	2nd Q 13 Revenue	Incr/Decr			
1	2	Sourcette, Inc.	FIRE	75.50	39.50-75.97	2.38B	130,572	165,646	223,090	50,598	65,052	399.47	28.6%	8.82	118.16		
2	1	Roper Industries, Inc.	ROP	124.01	101.21-132.72	12.30B	2,386,112	2,797,089	2,993,489	724,872	784,010	24.91	8.2%	4.83	15.54		
3	3	Taser Corp.	TASR	11.92	5.16-12.17	608.67M	86,930	90,028	114,753	28,222	32,176	40.82	14.0%	4.47	19.77		
4	4	ADT	ADT	40.71	35.38-50.37	8.57B	2,591,000	3,110,000	3,228,000	814,000	833,000	22.27	2.3%	3.55	8.35		
5	8	Flir Systems, Inc.	FLIR	31.77	18.58-33.81	4.51B	1,388,437	1,544,062	1,405,358	338,291	389,329	19.94	15.1%	3.09	11.91		
6	6	Genlex Corporation	GNIX	22.77	15.25-25.40	3.28B	816,263	1,023,762	1,099,560	280,256	286,974	18.22	2.4%	2.56	9.11		
7	7	Verint	VRNT	33.92	24.60-37.04	1.79B	703,633	726,799	782,648	196,635	204,786	64.00	4.1%	2.55	13.72		
8	5	The Geo Group	GEO	31.84	26.11-39.35	2.26B	1,269,968	1,407,172	1,479,062	371,173	381,653	13.69	2.8%	2.51	13.68		
9	18	Mace Security International	MACE	0.49	.17-.59	28.88M	18,395	13,858	12,984	3,433	3,244	N/A	-5.5%	2.09	N/A		
10	9	Zebra Technologies Corp.	ZBRA	46.80	34.92-49.38	2.38B	894,359	983,488	996,168	247,077	253,160	20.76	2.5%	1.97	10.59		
11	14	OSI Systems	OSIS	71.94	48.10-81.23	1.44B	595,111	656,100	792,990	235,241	227,895	33.46	-3.1%	1.84	13.39		
12	10	United Technologies Corp.	UTX	100.46	74.44-107.86	92.17B	54,326,000	55,754,000	57,708,000	13,807,000	16,006,000	14.54	15.9%	1.80	10.44		
13	11	Honeywell	HON	80.06	57.16-84.85	62.83B	32,350,000	36,529,000	37,665,000	9,435,000	9,693,000	20.05	2.7%	1.75	12.44		
14	12	Stanley Black & Decker	SWK	85.85	65.01-89.50	13.74B	8,343,900	9,435,500	10,190,500	2,567,000	2,869,300	15.87	11.8%	1.73	11.13		
15	16	Napco Security Systems, Inc	NSSC	4.94	2.90-5.15	95.32M	67,757	71,392	79,928	19,872	No report	57.44	N/A	1.59	22.68		
16	13	Tyco International*	TYC	33.27	26.17-57.30	15.38B	17,016,000	10,557,000	10,403,000	2,655,000	2,678,000	N/A	0.9%	1.56	11.96		
17	15	Brady Corporation	BRC	33.70	27.57-36.45	1.74B	1,259,096	1,324,269	1,324,269	275,388	305,757	50.37	11.0%	1.51	10.43		
18	17	Ingersoll Rand	IR	59.59	43.85-63.35	17.34B	14,001,100	14,782,000	14,034,900	3,821,300	3,932,700	18.82	2.9%	1.45	10.78		
19	19	Siemens AG	SI	107.71	93.04-113.16	90.77B	94,025,000	93,672,000	108,083,000	26,086,000	25,694,000	15.12	-1.5%	1.11	10.07		
20	21	Lockheed Martin Corp.	LMT	122.34	85.88-126.73	39.03B	45,671,000	46,499,000	47,182,000	11,921,000	11,408,000	13.72	-4.3%	0.94	8.13		
21	25	Checkpoint Systems, Inc	CHKP	15.54	7.70-17.78	640.19M	821,678	763,749	690,789	177,604	172,018	N/A	-3.1%	0.94	12.27		
22	22	Northrop Grumman Holdings	NOC	93.06	62.80-96.42	21.42B	28,143,000	26,412,000	25,218,000	6,274,000	6,294,000	11.56	0.3%	0.91	6.30		
23	20	L-3 Communications Holdings	LLL	90.98	68.84-94.32	8.15B	15,680,000	13,157,600	13,146,300	3,143,000	3,192,000	10.88	1.6%	0.88	7.44		
24	23	Johnson Controls	JCI	40.85	24.75-42.01	27.95B	34,305,000	40,833,000	41,955,000	10,581,000	10,831,000	26.35	2.4%	0.81	12.84		
25	24	Diebold	DBD	28.70	27.59-35.40	1.83B	2,823,793	2,635,848	2,991,693	743,188	707,113	N/A	-4.9%	0.72	13.37		
26	26	Intermec	IN	9.90	5.78-9.96	601.97M	679,111	848,181	790,093	200,951	No report	N/A	N/A	0.72	23.91		
27	27	Identive Group	INVE	0.79	.65-1.60	49.24M	84,843	102,708	94,599	23,856	23,595	N/A	-1.1%	0.63	N/A		
28	28	Anixter International, Inc.	AXE	84.29	54.11-86.85	2.74B	5,274,500	6,146,900	6,253,100	1,577,000	1,579,500	24.52	0.2%	0.57	9.84		
29	30	URS Corporation	URS	50.14	33.20-51.21	3.75B	9,177,051	9,545,000	10,972,500	2,690,700	2,792,000	11.80	3.8%	0.49	6.67		
30	31	Mantech International	MANT	28.99	21.58-30.21	1.08B	2,604,038	2,869,982	2,582,295	638,937	605,129	12.44	-5.3%	0.43	5.74		
31	30	Birns Company	BCO	26.64	21.77-30.75	1.28B	3,121,500	3,766,000	3,842,000	935,600	990,500	38.55	5.9%	0.41	5.38		
32	32	Magal Security Systems Ltd.	MAGS	3.74	3.31-5.09	60.39M	49,699	88,591	77,697	16,427	12,231	20.22	-25.5%	0.39	5.12		
33	33	Vicon Industries, Inc.	VII	2.57	2.33-3.46	11.57M	48,681	47,182	49,662	11,722	10,024	N/A	-14.5%	0.25	N/A		
<b>Sokoloff Index</b>							380,753,527	388,574,234	408,453,417	100,891,343	103,257,146	Quarterly Growth Over Q1 2013					
							Over Year 2010		Over Year 2011		Over Q2 2012						
							<b>2.1%</b>		<b>5.1%</b>		<b>6.5%</b>						
							<b>Average</b>		<b>Median</b>		<b>39.22</b>		<b>2.3%</b>		<b>1.81</b>		
							<b>20.14</b>		<b>2.4%</b>		<b>1.51</b>		<b>15.04</b>		<b>10.96</b>		

\*Yearly revenues declined due to the break up of the diversified Tyco International conglomerate.



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