

Security Finance Newsletter

December 2014

The information in this newsletter is provided strictly for informational purposes to Security 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.

Volume X, Issue 4

3rd/4th QUARTER MERGERS & ACQUISITIONS

Buyer: **BEHRMAN CAPITAL** is a PE Firm.

Seller: **BECO HOLDING COMPANY** is a wholesale distributor of fire equipment based in Charlotte, NC.

Buyer: **BOLD TECHNOLOGIES** is a provider of central station and PSIM software.

Seller: **ABM DATA SYSTEMS** is an alarm automation solution provider to monitoring centers that is headquartered in Texas.

Buyer: **ASG** is a systems integrator and alarm company.

Seller: **ADVANCED PROTECTION SYSTEMS (APS) & HOME TECHNOLOGIES** are alarm companies. APS is headquartered in Corpus Christi, TX with 8 employees. Home Technologies is based in Monroe, CT.

Buyer: **VANDERBILT INDUSTRIES** is a subsidiary of **ACRE, LLC**, a company that acquires, partners and invests with players in the electronic security manufacturing industry. Vanderbilt

creates state-of-the-art security systems.

Seller: **SIEMENS SECURITY PRODUCT BUSINESS.** The division was part of the **SIEMENS BUILDING TECHNOLOGIES DIVISION** and is based in Frankfurt, Germany. The company manufactures access control, intrusion alarm, and video surveillance products.

Buyer: **INFINOVA** designs and manufactures products for video surveillance, access control systems and fiber optic communications.

Seller: **SWANN COMMUNICATIONS PTY LTD** specializes in Do-It-Yourself (DIY) solutions for both home and small businesses. They are based in Port Melbourne, Victoria, Australia.

Buyer: **CENTRAL SECURITY GROUP (CSG)**

Seller: **SW SECURITY SERVICES** and **FORT KNOX SECURITY SERVICES** are both security and home automation providers.

Buyer: **KABA GROUP (Berlin: KABN)**

Seller: **KEYSCAN, INC.** is a

provider of networked access control solutions. The company is based in Whitby, Ontario, Canada, has about 65 employees and generates turnover of approximately \$19 Million.

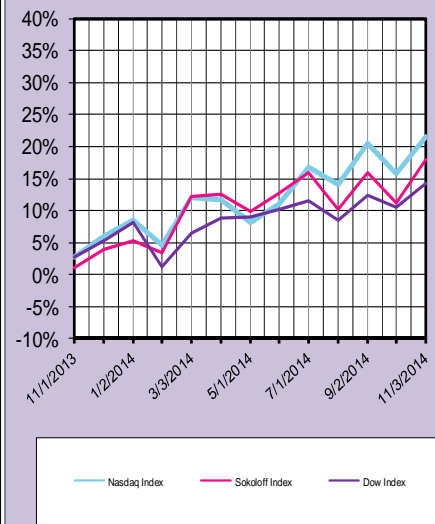
Buyer: **ADS SECURITY** is an electronic security alarm firm.

Seller: **SEABOARD SECURITY** is a monitoring company. They are headquartered in North Carolina.

Buyer: **WASHINGTON ALARM** is a systems integrator and alarm company.

Seller: **NORTH SOUND ALARM** is based in Bellingham, Washington.

Sokoloff Security Index



The Security Finance Newsletter is a service of Peter A. Sokoloff & Co. It is distributed quarterly to owners, CEOs, CFOs and corporate development executives in the Security Industry.

The Security Finance Newsletter is a copyright of Peter A. Sokoloff & Co. © 2014. Permission to reprint/distribute excerpts of the full newsletter is granted, provided the following attribution is included: "Reprinted with permission. © 2014 Peter A. Sokoloff & Company, Glendale, California."



Peter A. Sokoloff & Co.
Investment Bankers and Financial Advisory
a limited liability organization

550 North Brand Blvd. Suite 1650 Glendale, CA 91203
(818) 547-4500, fax (818) 547-4388, www.sokoloffco.com

AN INTERVIEW WITH JOE GRILLO CEO, ACRE LLC

This quarter, Sokoloff & Co. interviews **Joe Grillo, CEO of ACRE LLC**. Joe is a seasoned veteran of the security industry, formerly Executive Vice-President **ASSA ABLOY AB** and President/CEO of **HID**. In 2012, he formed ACRE with colleague **Will West** who had been the CFO at **HID**. ACRE acquires and invests in companies that provide solutions in the electronic security systems market, with a focus on access control.

You have a long history in the security industry. How did you get started, what drew you to the field and what keeps you here?

It was really by chance. It was 1981 and I was a young man based in Connecticut who had been working in sales in the auto parts industry. I got the opportunity to move to California and take a sales position in the fire and security space. I really got to know the security arena, developed strong relationships and ended up making a long career.

Later on, I left the industry for a few years. When I came back it was an easy transition because while things had evolved, the access control market segment hadn't changed much and I knew it quite well. What keeps me here is the security industry continues to evolve and grow.

What is the vision for ACRE?

Acree's vision is to grow in the electronic security industry - in particular the access control space where we want to assist in the consolidation within the OEM or systems manufacturer step in the value chain. We look to utilize Mercury technology as a basis to accomplish that consolidation.

How do you and Will work together as partners?

We got together originally at Assa Abloy - Will was leading the M&A efforts of the Global Technology Division I was running. He has a strong financial background, so he handles the accounting, finance and banking. We combine our efforts with our third partner **Steve Wagner** on overall strategic direction

and together we work to maintain a strong relationship with the board of directors and investors that ACRE is fortunate to have as partners.

You acquired the Schlage SMS business from Ingersoll Rand (IR) in 2012 and it's now called Vanderbilt Industries. Why Vanderbilt? What was involved in the rebranding exercise? What were the major challenges and solutions involved in carving-out Vanderbilt from IR?

We had to pick a name very quickly and Vanderbilt was the code name of the divestiture

three initials of Hughes Identification Devices.

Rebranding is tough because you have the same great products but a different name - when you are going from an Ingersoll Rand or Schlage label that everyone knows, you have to expend a lot of resources to get the word out and start building the new brand.

Recently Vanderbilt Industries announced it had signed an agreement to acquire the Siemens Security Products Business. I understand you will be the managing director. Tell us about the acquisition and how it will fit into your present portfolio.

This acquisition was very similar to the Vanderbilt carve-out from IR. If you've been around thirty years like me, you tend to know a lot of people. I got word that Siemens may be looking to divest their product business, and I knew a lot about the assets from my HID/Assa Abloy days. Like Vanderbilt the Siemens Security Business had great products and people, it just had the wrong owner and we were in the right place. I knew it would be a good opportunity.

Further, the Siemens business has a European footprint this makes it very complementary to Vanderbilt which is almost exclusively a US based business.

Before we leave Vanderbilt, tell us the story of Geoffrey, the original name of the core access control product sold by Vanderbilt.

Geoffrey was founded in 1989 as an access control systems manufacturer and was named for the son of one of the founders. It was sold in 2003 to IR who renamed it Schlage - by 2010 it didn't fit in their portfolio and that's when we picked it up, rebranding it Vanderbilt.

Tell us about what attracted you to Mercury and how the acquisition came about.

Mercury is a very unique company and was much like HID in that it was focused on one critical building block of the access control system - that being the control panel. We liked that.

Steve Wagner, one of our current partners and former HID colleague, had gone to work at Mercury and he made us an intro to the two original founders who had started Mercury in 1992. We were able to sit down and negotiate

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.

 **Peter A. Sokoloff & Co.**
Investment Bankers and Financial Advisory
a limited liability organization

550 North Brand Blvd. Suite 1650 Glendale, CA 91203
(818) 547-4500, fax (818) 547-4388 www.sokoloffco.com

project within IR. It was nothing more clever than that. When you do a carve out divestiture it's difficult because there are no names available with the word "security" left - so you have to find something that is available. We did an Internet search for Vanderbilt and there wasn't much competition in our industry with this name.

Another example of this: most people don't know that HID was part of **Hughes Identification Devices** - a division of Hughes Aircraft. Hughes didn't allow us to take the name either, so we only had a short time to come up with something. HID is the first

an acquisition before it went to market.

Mercury OEMs for Lenel, Honeywell and other major access control players who compete heavily with each other. How does Mercury handle these relationships so as to minimize conflicts?

Not dissimilar to HID when it had its original focus on cards/readers, Mercury focuses on its key product and delivers the best possible open technology in its control panels to its customers. These customers primarily compete in the market based on their software capabilities. They are on equal ground by offering Mercury technology for the control panel and have an edge over their other competitors who choose to offer proprietary control panel technology.

What are the major drivers that come into play in determining what companies ACRE seeks to acquire?

- 1) Does the target company match our strategy?
- 2) Is the company available?
- 3) Is it available for a reasonable valuation?

What is ACRE's approach to companies once they are part of their portfolio – how do you work with them?

I've learned a lot in the twenty or thirty acquisitions I've done over the years. I believe you need to take a balanced approach. There's a reason you bought the business in the first place - they did something right so let management continue to do their job delivering the products/services in the way they did in the past. Yet, you also have to make sure these companies adhere to new and common financial reporting requirements and follow along with other important company policies. So using a balanced approach to how much you integrate them while also allowing them to operate in a semi-independent way works best in my opinion.

What are the biggest changes both positive and negative that you have seen in the industry in the past five years?

I wouldn't characterize the changes as positive or negative.

When I left the security industry then

Joseph Grillo, CEO, ACRE, LLC

Mr. Grillo is a 30-year seasoned industry veteran of the electronic security and identification industries. He has held top positions at HID and Assa Abloy and led the restructuring and selling of Digital Angel Corporation. Together he and his partner, Will West, formed ACRE in 2012 as a platform to initiate acquisitions in the electronic security industry.



came back in 2011, the major difference I saw at tradeshow was the ongoing explosion of video – explicitly, fast development of cameras and advances in video management systems and software.

In access control, I didn't see so much trans-

Our industry moves kind of slowly toward new technology - it's more evolutionary than revolutionary. I do see video companies entering the access control markets to a greater degree. I also see continued advances in electronic locking solutions which will result in a much higher percentage of doors utilizing an electronic access control function within a facility than in the past.

Where do you expect ACRE to be five years from now?

ACRE was formed for the 2012 acquisition of IR, and the 2013 acquisition of Mercury - so we're a very young company. Now we've announced the Siemens carve out deal. We want to continue to grow profitably both organically and through acquisition.

We are private equity based and our largest shareholder is LLR out of Philly. LLR tends to hold their portfolio companies longer than other PEs – five to seven years, but at some stage they will want a change or exit. Currently though, we just want to work hard, grow and be profitable.

Contact Sokoloff & Company

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

Do you receive our free weekly e-mail Security Newsletter Update? If not, please adjust your spam filter or sign up easily on-line at www.sokoloffco.com.

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.



Has acquired



The undersigned advised Enabil. Solutions Ltd.



Peter A. Sokoloff & Co.
Investment Bankers and Financial Advisory
a limited liability organization

550 North Brand Blvd. Suite 1650 Glendale, CA 91203
(818) 547-4500, fax (818) 547-4388 www.sokoloffco.com

formation. There were a lot of the same players and I'm sure their products continued to advance but it was still a highly fragmented market and landscape.

What do you see as the future for electronic security?

The use of mobile handheld devices to offer more interface to the operators of the systems - that's asked for quite a bit.

Cloud and a SaaS model on the access control side (like Brivo who is at the forefront) is being talked about a lot more.

SOKOLOFF & CO. VALUATION RANKINGS OF PUBLIC SECURITY COMPANIES Q3 2014 Reports and Stock Prices as of November 21, 2014

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 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 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: AECOMM (NYSE:ACM) acquired URS Corporation (NYSE:URS)

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 11/21/2014	52 Week Range	Market Cap 11/21/2014	(000s) Revenue 2011	(000s) Revenue 2012	(000s) Revenue 2013	(000s) Revenue 3rd Q 13	(000s) Revenue 3rd Q 14	Over Q3 2013 3rd Q 14	Incr/Decr	P/E	EVS	EVM	
1	1	Taser Corp.	TASR	19.34	10.46-21.01	1.02B	90,028	114,753	137,831	35,197	44,349	26.0%	52.27	6.42	26.26		
2	2	Roper Industries, Inc.	ROP	158.22	126.05-159.74	16.16B	2,797,089	2,993,489	3,238,128	827,800	884,100	6.8%	25.48	5.11	15.32		
3	3	Veint	VRNT	58.75	36.62-60.25	3.56B	726,799	782,648	839,542	222,447	276,816	24.4%	53.36	4.02	27.78		
4	4	Gentex Corporation	GNTX	35.30	26.33-35.83	5.17B	1,023,762	1,099,560	1,171,864	288,622	350,914	21.6%	17.84	3.46	10.48		
5	5	ADT	ADT	36.32	27.93-44.40	6.34B	3,110,000	3,228,000	3,309,000	846,000	883,000	4.4%	21.88	3.30	6.42		
6	6	Flir Systems, Inc.	FLIR	31.51	28.03-37.42	4.44B	1,544,062	1,405,358	1,496,372	358,141	375,366	4.8%	28.93	2.84	13.48		
7	8	The Geo Group	GEO	39.44	30.85-41.66	2.90B	1,407,172	1,479,062	1,522,074	379,842	457,900	20.6%	21.20	2.71	14.09		
8	7	Zebra Technologies Corp.	ZBRA	72.55	50.03-87.53	3.69B	983,488	996,168	1,038,159	263,523	303,272	15.1%	29.47	2.59	11.76		
9	9	Honeywell	HON	98.23	82.89-98.41	76.90B	36,529,000	37,665,000	39,055,000	9,647,000	10,108,000	4.8%	18.48	1.88	11.04		
10	11	United Technologies Corp.	UTX	110.30	97.30-120.66	100.56B	55,754,000	57,708,000	62,626,000	15,462,000	16,168,000	4.6%	16.26	1.76	9.55		
11	12	Tyco International*	TYG	42.89	37.10-46.64	17.95B	10,557,000	10,403,000	10,073,000	2,610,000	2,704,000	3.6%	10.82	1.69	16.31		
12	13	Stanley Black & Decker	SWK	95.31	75.00-96.55	14.93B	9,435,500	10,147,900	11,001,200	2,758,300	2,902,200	5.2%	22.67	1.65	11.17		
13	14	OSI Systems	OSIS	69.53	39.00-77.45	1.38B	656,100	792,990	802,047	206,274	218,397	5.9%	27.04	1.50	8.82		
14	17	Lockheed Martin Corp.	LMT	187.93	135.39-192.94	59.01B	46,499,000	47,182,000	45,358,000	11,347,000	11,114,000	-2.1%	19.02	1.38	10.48		
15	15	Napco Security Systems, Inc	NSSC	4.41	3.98-7.70	84.68M	71,392	70,928	71,386	17,239	17,336	0.6%	24.50	1.28	15.82		
16	19	Northrop Grumman Holdings	NOC	139.13	107.21-140.59	28.10B	26,412,000	25,218,000	24,661,000	6,106,000	5,984,000	-2.0%	14.80	1.27	8.30		
17	18	Siemens AG	SI	93.98	80.17-101.35	78.83B	93,672,000	103,466,000	92,101,000	25,782,000	25,853,000	0.3%	14.89	1.18	9.25		
18	16	Brady Corporation	BRC	25.01	20.98-31.80	1.28B	1,339,597	1,068,688	1,157,792	305,974	316,733	3.5%	N/A	1.17	8.60		
19	20	Magal Security Systems Ltd.	MAGS	5.03	3.21-6.18	81.22M	88,591	77,697	51,517	12,838	21,474	67.3%	N/A	1.17	N/A		
20	21	L-3 Communications Holdings	LLL	122.29	99.33-127.27	10.41B	13,157,600	13,146,300	12,629,000	3,002,000	2,940,000	-2.1%	16.86	1.13	10.33		
21	10	Identive Group	INVE	10.65	4.90-21.31	113.34M	102,708	72,361	75,610	20,909	22,712	8.6%	N/A	1.04	N/A		
22	22	Johnson Controls	JCI	50.17	38.60-52.50	33.39B	40,833,000	41,955,000	41,410,000	10,700,000	10,979,000	2.6%	27.92	0.92	12.09		
23	23	CACI International, Inc.	CACI	86.25	67.01-86.72	2.05B	3,577,780	3,774,473	3,681,990	864,265	814,726	-5.7%	16.15	0.90	9.45		
24	23	Diebold	DBD	35.38	31.36-41.45	2.29B	2,835,848	2,991,693	2,857,491	705,424	768,031	8.9%	52.96	0.85	10.62		
25	25	Checkpoint Systems, Inc	CKP	12.87	11.55-15.88	537.93M	763,749	689,920	689,738	174,888	160,595	-8.2%	N/A	0.72	6.89		
26	26	Anixter International, Inc.	AXE	87.45	75.81-115.84	2.87B	6,146,900	6,253,100	6,226,500	1,557,600	1,666,600	7.0%	13.74	0.63	9.93		
27	27	ManTech International	MANT	29.47	26.09-31.32	1.10B	2,869,982	2,582,295	2,310,072	567,399	447,200	-21.2%	N/A	0.56	7.68		
28	30	Bank's Company	BCO	21.58	19.15-35.73	1.05B	3,766,000	3,735,000	3,942,200	982,000	913,000	-7.0%	250.938	0.34	4.21		
29	29	Vicon Industries, Inc.	VII	1.83	1.40-6.14	8.28M	47,182	49,652	39,846	10,024	9,256	-7.7%	N/A	0.05	N/A		
Sokoloff Index							366,797,329	381,149,035	373,573,359	96,060,706	97,703,977	Over Q2 2014	Quarterly Growth Over Q3 2013				
							Over Year 2011	Over Year 2012	Over Year 2013	Over Q2 2014	Over Q3 2013	1.0%	Average	6.6%	24.84	11.77	
							3.9%	-2.0%					Median	4.6%	21.54	10.48	

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



Peter A. Sokoloff & Co.
Investment Bankers and Financial Advisory
a limited liability organization

550 North Brand Blvd., Suite 1650
Glendale, CA 91203
www.sokoloffco.com

Phone: 818-547-4500
Fax: 818-547-4388