

Security Finance Newsletter

December 2015

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Volume XI, Issue 4

3rd/4th QUARTER MERGERS & ACQUISITIONS

Buyer: ALARM DETECTION SYSTEMS

Seller: SAFE SYSTEMS is a residential and security systems business based in Louisville, CO.

Buyer: A.P.I. MONITORING

Seller: TRENT SECURITY is a full service security company based in Ontario, Canada.

Buyer: ADS is a residential and commercial security company.

Seller: BRIDGECOM is an alarm monitoring company based in Vidalia, Georgia.

Merger: VIDEOSURVEILLANCE.COM out of Portland and CAMGUARD based in California are merging. VideoSurveillance offers remote video surveillance and CamGuard offers managed video surveillance services. The combination is an investment made by RIVERLAKE PARTNERS.

Buyer: KRONOS delivers workforce management solutions in the cloud.

Seller: KABA WORKFORCE SOLUTIONS AUTOTIME DIVISION is a time and attendance labor management solution.

Buyer: VERSAR is a govt. services company.

Seller: JOHNSON CONTROLS SECURITY SYSTEMS is a division of JOHNSON CONTROLS (NYSE: JCI) which specializes in federal security systems integration. They have approx. 50 employees.

Buyer: HABITEC is an alarm monitoring company.

Seller: BIGELOW SECURITY is an alarm monitoring company.

Buyer: PER MAR SECURITY SERVICES specializes in systems integration, alarm monitoring, guards and background screening.

Seller: NORTHERN SAFETY AND SECURITY is headquartered in Bemidji, MN and is an alarm monitoring company.

Buyer: L-3 (NYSE: LLL)

Seller: FORCEX, INC. specializes in ISR mission management software and geospatial application technology programs. They are headquartered in Nashville, TN and are expected to add approx.\$30M in sales for the year ending December 31, 2016.

Buyer: POTTER ELECTRIC SIGNAL COMPANY, LLC manufactures products for the Sprinkler, Fire, Security and Industrial markets.

Sellers: HARRINGTON FIRE ALARM, EVAX SYSTEMS and CPG SIGNALS. These three companies all bring new product lines to Potter.

Buyer: TREND MICRO

Seller: TIPPING POINT, a division of HP (NYSE: HPQ), is a security IT company that makes devices to protect networks.

Buyer: VASCO DATA SECURITY (Nasdaq: VDSI) is a provider of strong authentication, e-signature, and identity management.

Seller: SILANIS TECHNOLOGY is an electronic signature provider and is expected to generate \$16 million in revenue for the year ending 2015. They are headquartered in Quebec, Canada.

Buyer: SECURITAS (Stockholm: SECU-B)

Seller: DIEBOLD's NORTH AMERICAN-BASED ELECTRONIC SECURITY DIVISION. This division has approx. 1,100 employees and a current annual revenue of about \$330 million.

Buyer: CISCO (Nasdaq: CSCO)

Seller: LANCOPE is a network security firm headquartered in Alpharetta, GA.

Buyer: HONEYWELL (NYSE: HON)

Seller: COM DEV INTERNATIONAL (CDV.TO) sold its Satellite Equipment Business which is a satellite and space components provider. COM DEV is headquartered in Ontario, Canada and their estimated 2015 revenue is C\$210 million (\$160 million USD).

Buyer: STANLEY SECURITY is a div of STANLEY BLACK & DECKER (NYSE: SWK).

Seller: SENTRYNET is a wholesale monitoring company based in Pensacola, FL.

Buyer: MINUTEMAN SECURITY TECHNOLOGIES is a systems integrator.

Seller: CONCENTRIC SECURITY RESOURCES from BLACK DIAMOND CONSULTANTS is a systems integrator headquartered in Manchester, NH.

Buyer: FLEXTRONICS (Nasdaq: FLEX) designs intelligent products for a connected world.

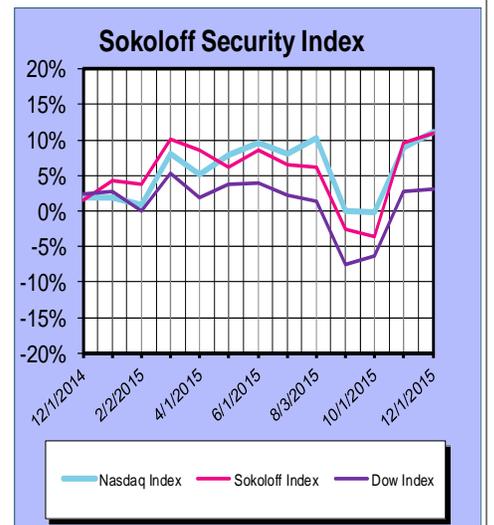
Seller: WINK is a smart home platform that enables smart products to work together seamlessly and connect and communicate globally.

Buyer: DOYLE SECURITY is a regional security company.

Seller: ALERT PROTECTIVE SYSTEMS is an alarm company based in Rochester, NY.

Buyer: FLIR SYSTEMS, INC. (Nasdaq: FLIR) designs and manufactures thermal imaging, visible-light imaging systems, locator systems, measurement and diagnostic systems, and threat-detection solutions.

Seller: DVTEL, INC. is based in Ridgefield Park, NJ and develops and distributes integrated video management system (VMS) software, advanced video analytics software, visible and thermal security cameras, and related servers and encoders.



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AN INTERVIEW WITH STEVE VAN TILL, CO-FOUNDER, PRESIDENT, CEO BRIVO, INC.

This quarter, Sokoloff & Company interviews **Steve Van Till, President/CEO of BRIVO INC.** Brivo Inc. is a cloud-based physical access control company and was acquired June 10, 2015 for \$50M in cash by **Dean Drako**, founder of **BARRACUDA NETWORKS** and **EAGLE EYE NETWORKS**. Eagle Eye Networks is a cloud-based provider of video surveillance systems, suggesting a complimentary fit with Brivo. Brivo was formerly owned by **THE DUCHOISSOIS GROUP**. With the acquisition Drako becomes chairman and owner and the Brivo team remains intact.

Tell us a little bit about your background and how you got started in the security industry.

I did my graduate studies in physics and among other things had worked on satellite communication systems. In the early 2000's, I had been designing and building large-scale web applications for different kinds of businesses and saw an opportunity to reinvent the way access control was being done in the physical security industry. By providing a cloud solution that eliminated the on-premise PC, we got rid of what security dealers told us was their number one source of complaints and services calls—namely, the local PC and its software. We also created a system that had better total cost of ownership, tremendous scalability, and intrinsically leveraged the ubiquity of the Internet for multi-location businesses. I had always been fascinated by large-scale distributed systems; so doing cloud-based access control in the security industry was a natural fit.

What is the “secret sauce” that differentiates Brivo from other access control companies?

Our secret sauce has always been that we're a cloud company. We started on that path right from the beginning, so we never had a legacy of on-premise software that we were trying to convert to the cloud. I had been building large multi-tenant ecommerce and web applications systems in other industries, and frankly

never considered any other way of building the Brivo solution because the benefits were so compelling.

I would also add that it has been important for us to develop the software not only for the cloud-based piece of the equation, but also for the on-premise controllers connected to the doors and sensors. That has allowed us to create a better user experience than companies that are just doing one or the other. It has also been a key part of building the best end-to-end

to continuously measure and rapidly adapt to what is needed to achieve the first principle.

Tell us a little about how the deal with Dean Drako transpired.

Dean's goal, when he left Barracuda Networks in 2012 to found Eagle Eye Networks, was to move the physical security market to the cloud. Dean's first step was to deliver a secure and feature-rich cloud security camera system. As we interacted as potential partners, Dean saw a strong alignment with Brivo's commitment to providing cloud-based solutions to physical security.

Dean purchased Brivo because he saw the opportunity to accelerate the physical security industry's move to the cloud. Since the acquisition, Dean has added tremendous business insights in addition to his capital infusion – all part of our moving Brivo to the next level.

What are the synergies between Brivo and Eagle Eye Networks?

Three of the key synergies between Brivo and Eagle Eye Networks are: each company deploys 100% cloud-based technologies with an “as-a-service” subscription model; both offer open APIs to accelerate integrations, add analytics and other applications; and each company is committed to working closely with channel partners and making them successful.

You are now promoting a Brivo/Eagle Eye Networks integrated platform.

What are the challenges and successes you are having with the uptake by customers of the integrated solution?

Brivo has had a strong response to its deep integration of Eagle Eye Networks' video surveillance product with our access control solution. Brivo's first step has been to educate and equip our dealers, who immediately recognized the opportunity to expand their value to their customers.

Brivo's customer uptake has gone smoothly because Brivo's customer base had al-

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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cyber security in the business.

How would you describe the corporate culture at Brivo? How is it different or similar to what you have seen at Eagle Eye Networks?

Our culture at Brivo aligns with the culture Dean has created for Eagle Eye Networks; in particular, we share two of Dean's key principles of entrepreneurship. The first principal is to focus on making customers happy. The second principle is

“ Our secret sauce has always been that we're a cloud company. We started on that path right from the beginning... ”

ready made the technology decision to go with true cloud-managed access control, so it was natural to extend it to integrate with the industry's leading cloud-video surveillance system. From a business standpoint, our customers also assessed and recognized the value in the reduced up front and maintenance costs – thus a lower total cost of ownership.

The two companies are highly focused on cyber-security; which has also been timely, given the well-publicized security breaches in the last couple of years.

Talk to us about your dealership program. What commitment and training is required?

Our Dealer Program is now in its 14th year, and it continues to evolve. Today what you'll find is a sophisticated online learning system that we call Brivo University. It's designed to teach both the technical and sales skills needed to be successful with a cloud-based product. What our dealers have always said is that the cloud simplifies installation tremendously, so their technicians actually require less training than with conventional architectures.

You are both a product and a services business, presented as a SaaS model. You pioneered an evolution from premises based access control to SaaS. What have been the hurdles you have had to overcome to change end user thinking to accept this new model?

Initially, the biggest hurdle was fear of the unknown, compounded with the natural conservatism of the security industry. In the early years, many people felt uncomfortable having their data stored off premise. They were also concerned about cyber security risks. Today, I think that the success of cloud computing in every sector of the computing industry has shown that it provides a better overall solution, and that having full-time cyber security professionals—as every good cloud company does—ends up being safer than keeping an access or video

Steve Van Till, Co-Founder, President, CEO Brivo, Inc.

Steve is the inventor of several patents in the security space and was honored by Security Magazine as one of "The Top 25 Most Influential People in the Security Industry." In the past, Steve worked for Sapien Corporation, HCIA, Geostar and Communications Satellite Corporation.



server on a corporate network.

What are your plans to expand the business outside of North America?

We are presently active in many parts of

about your company or product makes it better? We saw this during the first generation of the Internet, and now it's being repeated for cloud services. The place where customers look when they look beyond the cloud itself is mobile. And you can't get to a good mobile solution unless you already have a real cloud architecture in place, so we're way ahead on that front.

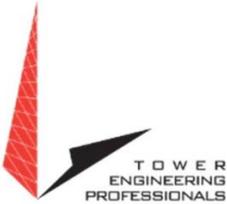
What are the most exciting changes that you see on the horizon for the access control space?

The shift to mobile credentials replacing cards and fobs is the most exciting change happening right now. It's not just that it's more convenient and a better overall user experience, it's that the security enterprise now has an interactive relationship with the people we are protecting. We never had that with cards because they are not interactive.

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

Our goals are to remain the dominant player in cloud-based physical security and to create an increasingly rich, value-added experience for our users.

This notice appears as a matter of record only.



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

Have been Acquired by Management and Investors.





PRAIRIE CAPITAL COGNITIVE CAPITAL PARTNERS ALDINE Capital Partners

The undersigned advised Tower Engineering Professionals.



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the world, including Europe, South America, and Asia.

The cloud is a big buzzword right now and there are a lot of companies trying to get into the space. How does Brivo stay ahead of the game and remain competitive?

We stay ahead of the game by continuing to innovate and leveraging our existing strengths in this market. If you look beyond the security space, cloud is no longer a differentiator—it's table stakes. I believe that within 5 years, the same will be true within the security industry. So then the question becomes: what else

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 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

Q3 2015 Reports and Stock Prices as of December 1, 2015

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. Other comparative indicators shown are P/E, Price to Earnings (market cap divided by earnings) and EVM, 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: Allegron, Plc. was added (NYSE: ALLE)

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 12/1/2015	52 Week Range	Market Cap 12/1/2015	(000s) Revenue 2012	(000s) Revenue 2013	(000s) Revenue 2014	(000s) Revenue 3rd Q 15	Over Q3 2014 Incr/Decr	P/E	EVS	EVM
1	2	Roper Industries, Inc.	ROP	191.68	144.62-195.93	19.32B	2,993,489	3,238,128	3,549,494	883,933	0.0%	28.87	6.03	17.46
2	1	Taser Corp.	TASR	18.39	16.74-35.95	986.49M	114,753	137,831	164,525	50,376	13.6%	49.70	4.81	23.40
3	New	Allegron, Plc. **	ALLE	68.03	52.33-68.08	6.52B	2,046,600	2,069,600	2,118,300	544,500	-0.4%	56.13	3.77	17.45
4	4	ADT	ADT	35.96	29.34-42.88	5.93B	3,228,000	3,309,000	3,408,000	899,000	1.8%	20.91	3.12	8.08
5	5	Gentex Corporation	GNTX	16.69	13.84-19.06	4.87B	1,099,560	1,171,864	1,375,501	389,829	11.1%	16.52	3.06	8.85
6	3	Verint	VRNT	46.91	40.90-66.45	2.91B	782,648	839,542	907,292	295,882	6.9%	852.91	2.84	20.38
7	7	Flir Systems, Inc.	FLIR	30.56	25.12-34.46	4.22B	1,405,358	1,496,372	1,530,564	381,928	1.7%	17.85	2.61	11.56
8	8	The Geo Group	GEO	29.92	27.55-45.25	2.21B	1,479,062	1,522,074	1,691,620	469,866	2.6%	16.62	2.38	12.54
9	9	Honeywell	HON	104.15	87.00-107.41	80.27B	37,665,000	39,055,000	40,306,000	9,611,000	-4.9%	18.24	2.07	11.13
10	6	Zebra Technologies Corp.*	ZBRA	79.89	67.40-119.47	41.6B	996,168	1,038,159	1,670,572	916,273	202.1%	N/A	2.00	14.17
11	16	OSI Systems	OSIS	95.17	66.03-96.57	1.88B	792,990	802,047	906,742	200,050	-8.4%	30.20	1.94	11.71
12	10	Stanley Black & Decker	SWK	110.15	90.08-111.18	16.49B	10,147,900	10,889,500	11,338,600	2,829,500	-1.7%	22.31	1.80	10.86
13	11	Tyco International	TYC	34.99	33.06-44.84	14.79B	10,403,000	10,073,000	10,332,000	2,505,000	-7.3%	27.23	1.68	10.86
14	15	Northrop Grumman Holdings	NOC	187.31	138.88-193.99	34.16B	25,218,000	24,661,000	23,979,000	5,979,000	-0.1%	18.09	1.64	10.84
15	13	United Technologies Corp.	UTX	96.70	85.50-124.45	85.77B	57,708,000	62,626,000	65,100,000	13,788,000	-5.6%	14.94	1.60	8.85
16	14	Lockheed Martin Corp.	LMT	220.20	181.91-227.91	67.67B	47,182,000	45,358,000	45,600,000	11,461,000	3.1%	19.54	1.58	12.18
17	12	Napco Security Systems, Inc	NSSC	5.83	4.18-7.60	110.29M	70,928	71,386	74,382	18,149	4.7%	22.34	1.49	17.01
18	18	Brady Corporation	BRC	26.39	18.46-28.99	1.33B	1,071,504	1,157,792	1,225,034	283,073	-8.8%	167.03	1.29	10.84
19	17	Siemens AG	SI	96.94	77.91-106.35	80.92B	103,466,000	92,101,000	75,814,000	22,700,000	4.4%	11.09	1.23	10.84
20	19	L-3 Communications Holdings	LLL	122.96	101.11-132.92	9.64B	13,146,300	12,622,000	12,124,000	2,817,000	-4.2%	78.72	1.15	10.87
21	20	CACI International, Inc.	CACI	103.31	72.19-104.09	2.50B	3,774,473	3,681,990	3,564,562	822,442	-0.9%	19.68	1.03	11.35
22	21	Johnson Controls	JCI	45.47	38.48-54.52	29.45B	41,955,000	41,410,000	38,749,000	8,749,000	-12.1%	19.21	0.96	11.60
23	22	Diebold	DBD	34.61	29.16-38.94	2.25B	2,991,693	2,857,491	3,051,063	680,900	-11.3%	31.78	0.91	11.88
24	23	ManTech International	MANT	33.60	24.90-35.23	1.26B	2,582,295	2,310,072	1,773,981	393,008	-12.1%	24.40	0.78	10.41
25	24	Magal Security Systems Ltd.	MAGS	4.58	3.98-6.15	75.02M	77,697	51,517	77,543	17,011	-20.8%	12.18	0.60	4.99
26	26	Brink's Company	BCO	32.10	21.66-33.62	1.57B	3,735,000	3,779,000	3,562,000	740,000	-12.6%	N/A	0.59	9.66
27	25	Checkpoint Systems, Inc	CHKP	6.14	5.07-14.23	258.87M	689,920	689,738	662,040	145,930	-9.1%	N/A	0.43	4.64
28	27	Identive Group	INVE	2.49	2.17-14.95	26.69M	72,361	74,284	81,249	17,196	-24.3%	N/A	0.43	N/A
29	29	Anixter International, Inc.	AXE	68.44	55.71-89.95	2.26B	6,253,100	6,226,500	6,445,500	1,489,200	3.6%	13.96	0.43	7.82
30	28	Vicon Industries, Inc.	VII	2.17	1.22-2.55	20.07M	49,652	39,846	34,878	11,701	26.4%	N/A	0.42	N/A
Sokoloff Index				1,951.73			383,198,451	375,359,733	361,217,432	90,089,747				
							Over Year 2011 3.2%	Over Year 2012 -2.0%	Over Year 2013 -3.8%	Over Q2 2015 -2.2%				
							Growth over previous period							
*Revenues include two months of results of the recently acquired Enterprise business that the company acquired from Motorola Solutions.														
**Allegron Plc (NYSE: ALLE) had its spin-off from IR in 2013 and did not report 2011 yearly revenues - for comparison purposes, Sokoloff allotted the same yearly revenue for 2011 as 2012.														



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