

Security Finance Newsletter

December 2017

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Volume XIII, Issue 4

3rd/4th QUARTER MERGERS & ACQUISITIONS

Buyer: HID GLOBAL

Seller: ACRE LLC is selling their portfolio company **MERCURY SECURITY**. Mercury is a supplier of OEM access control hardware and is based in Long Beach, CA.

Buyer: SAP SE (NYSE:SAP)

Seller: GIGYA is a customer identity and access management company which has more than 300 employees and is based in Mountain View, CA.

Buyer: DYNAMARK SECURITY SERVICES is an alarm company.

Seller: BUCKEYE PROTECTIVE SERVICES is based in Canton, Ohio and is an alarm monitoring, investigative and employment screening company.

Buyer: ADT

Sellers: GASTON SECURITY is a systems integrator headquartered in Emporia, VA.

DATASHIELD is a cyber security company based in Scottsdale, AZ.

Buyer: ASSA ABLOY (ASSA-B.ST)

Seller: AUGUST HOME is a smart lock business based in San Francisco. Sales for the company are expected to reach approx. \$60 million in 2018.

Buyer: CONSTELLATION SOFTWARE's (CSU.TO) Division HARRIS CORPORATION

Seller: SYSCON JUSTICE SYSTEMS LTD. is a business providing Offender Management Systems (OMS) to correctional clients and is based in Richmond, British Columbia.

Buyer: BCE, INC. (NYSE:BCE) provides wireless, wireline, Internet, and television services to residential, business, and wholesale customers in Quebec, Canada.

Seller: ALARMFORCE INDUSTRIES, INC. (AF:TO) is an integrated security alarm monitoring company based in Toronto, Canada.

Buyer: CONVERGINT TECHNOLOGIES is a systems integration company.

Seller: SPC is based in Blaine, Minnesota and is a provider of

physical and electronic security systems, IT and cybersecurity solutions, and more.

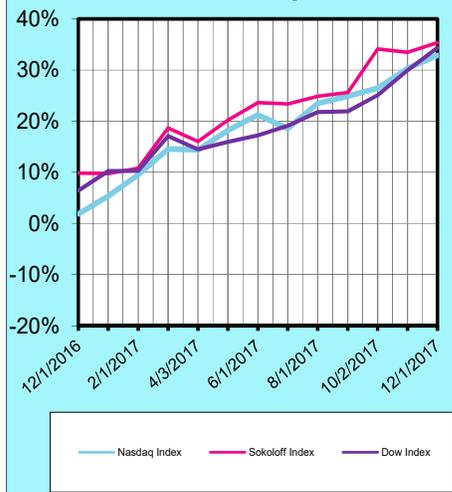
Buyer: ALLEGION PLC (NYSE:ALLE)

Seller: QUATAR METAL INDUSTRIES (QMI) is headquartered in the United Arab Emirates and is a manufacturer of commercial steel and wood doors and frames. QMI had approx. \$24 million in net sales for the trailing 12 months ended Sept. 30, 2017.

Buyer: HONEYWELL (NYSE:HON)

Seller: SCAME SISTEMI, SRL is a provider of fire & gas systems and is based in Arluno (Milan), Italy with approx. 25 employees.

Sokoloff Security Index



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AN INTERVIEW WITH ASHLEY COOPER, CEO PALADIN SECURITY

This quarter, Sokoloff & Company interviews **ASHLEY COOPER, CEO of PALADIN SECURITY**. Paladin Security is a systems integrator and guard company headquartered in British Columbia, Canada.

How did you get into the security industry and what was the impetus for Paladin?

I first started as a Security Officer with Paladin while I was attending the University of British Columbia. I was getting my business degree at the time and Paladin literally helped me through school by paying my bills. Upon graduation, I believed that there was a future in security so I approached the owner and negotiated my very first acquisition.

The company was very small at the time and the owner was extremely reasonable and supportive, so I was able to pay for the business over time. I look back and can't help but think how lucky I was and that is just one of the reasons why I always try to help new entrants into the industry.

Paladin started with only 4 people and now has over 10,000 professionals working for the company. How was Paladin able to achieve this massive growth?

The short answer to this is: one employee at a time and one customer at a time. It has taken us years to get to this size, and while we have made some good decisions along the way, we have also certainly made our fair share of mistakes.

One philosophy that has helped us facilitate growth is to always build our

"One philosophy that has helped us facilitate growth is to always build our infrastructure to a state that is much bigger than our current size."

infrastructure to a state that is much bigger than our current size. When we were doing \$5M in sales, we built ourselves to handle \$10M. When we were at \$10M, we were building ourselves to be able to handle \$20M, and so on. One absolute truth in business is that if your company is built to do \$5M and you grow to \$10M quickly, you will be back at \$5M before you know it!

How do you keep Paladin competitive when there are so many integrators

This notice appears as a matter of record only.



Apollo Video Technology
has been acquired by



LUMINATOR
TECHNOLOGY GROUP

The undersigned advised
Apollo Video Technology LLC



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and guard companies across Canada?

I like to look at Paladin as an incubator for entrepreneurs. We empower our people, engage them, and encourage them to take risks and try new things. Those that try and succeed are rewarded, and those that try and fail are picked up, dusted off and encouraged to try again.

While the market is full of both guard companies and integrators, there are very few companies that are built like Paladin and this gives us a distinct competitive advantage. Companies that only perform guard services are likely to suggest guards as a solution to a cli-

ent with a security problem. Similarly, companies that only install systems are likely to recommend a system. As a full-service security company that provides officers, mobile patrols, response, systems, investigations, consulting and so much more, we look closely at our client's challenges and then recommend solutions based on best practices. This often results in a combination of security applications, but it also provides the customer with a better answer and value for their security spend. In turn, this creates trust and credibility.

What are some of the key thoughts and ideas the company is based on that make it unique?

More and more, we are seeing other companies trying to emulate our unique full-service approach. It makes a lot of sense to us, but many of our competitors are unable to make that leap because the path is fraught with lots of challenges.

More important than our full-service security offering though, is the entrepreneurial and innovative spirit within our company. It's embedded in our corporate culture and we like to think that we are about 3-5 years ahead of most of our competitors in predicting the industry and where it is going. By effectively doing this, we can provide our customers with more innovative and cost effective solutions to their everyday problems.

With so many employees, how do you work as a team and make sure that all feel they are part of something great instead of a small spoke in a big wheel?

There is nothing wrong with being a spoke in a wheel – that is what being on a team is all about. The most expensive watches in the world cannot operate with a single part. Every part is critically important, and just like those watch parts, every person in our company brings value and should be appreciated for their contributions to our overall success.

We have built our company on the con-

cept of promotion from within. We train people incessantly so that we can grow them into more advanced roles at Paladin. In many organizations, joining the company as a security guard is a dead-end job. In Paladin, it is the gateway to a successful career. Perhaps I am the epitome of that in so far as I started in Paladin as a security guard. In our organization, I insist that people spend time in entry level roles so that they never forget where they came from or what makes us successful.

Tell us about how you train people and what your corporate culture is like.

Training is the secret sauce within our organization and what separates us from our competition. We train our people well in excess of the industry norms because it makes a significant difference to the service outcome that our customers' experience.

In the Security Officer side of our organization, we have many Officers that take in excess of 200 hours of training before they ever work in a billable role. I have not seen very many other companies that invest this much into their people; but I can tell you that our employees and our clients certainly see benefits from that. Our tech side is very similar in that we grow our people and provide them with tons of training along the way.

Customer service is a cornerstone for Paladin, how do you differentiate yourself from other companies in this area?

Customer service starts at the interview stage. While we can teach people great customer service skills along the way (and we do), we have found that we are always better off if we hire the right individuals in the first place who are empathetic and genuinely like and want to help people.

Hiring for fit is very important to sustaining our award winning corporate culture, so we spend a lot of time up-

Ashley Cooper, CEO, Paladin Security Ltd.

Ashley started working with Paladin as a security officer and went on to managing and acquiring it a short time later. He has won numerous awards: 2012 Ernst & Young Pacific Regional Entrepreneur, 2014 British Columbia CEO of the Year Award and Canada's Most Admired CEO for mid-market companies through Waterstone Human Capital.



front making sure that we have the right systems in place to attract industry leaders.

Paladin is active in charities. Tell us about the causes you support and why you feel it's important for the compa-

Giving is part of our corporate culture and every person in Paladin feels good about how we contribute to the communities that we live in.

Tell us about some of the challenges of running a successful company and the challenges of some of the different industries you serve.

In our business, the biggest challenges have revolved around getting the right people on board, sustaining our corporate culture, and ensuring that we maintain our values – all while going through double digit growth every year since our inception.

What are your goals for Paladin Security in the next five years?

Size wise, our goal is to achieve one billion dollars in annual sales within the next 3-5 years. More important than size though is quality. We want to be recognized as the best company in the security industry. The company that fixes things where others fail. The company that customers call when they have a problem. The company that raises the bar in the security industry.

Sokoloff & Company

Please contact Pete Sokoloff Senior 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)

This notice appears as a matter of record only.



Cortel

Cortel, Inc. has been acquired by



R5 INFRASTRUCTURE PARTNERS

A partnership owned by management and investors.



Ridgemont EQUITY PARTNERS



S CAPITAL ADVISORS

The undersigned advised Cortel, Inc.



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ny to give back this way.

We follow a concept that we call "The Four Seasons of Giving". The year kicks off with a company drive to raise funds for cancer research and support. Following that, we move into a non-monetary campaign that pushes blood donation across the country. The third season involves our regional branches jumping in with the Make-a-Wish Foundation and raising funds to grant a dream for some very sick children and their families. As the fourth season of the year rolls around, we move back again to our local branches who each support some sort of Holiday Season food or toy drive.



SOKOLOFF & CO. VALUATION RANKINGS OF PUBLIC SECURITY COMPANIES

Q3 2017 Reports and Stock Prices as of December 7, 2017

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).
 Changed from last quarter: Taser International, Inc. (Nasdaq: TASR) changed its name to Axon Enterprise, Inc. (AXNX)
 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 12/7/2017	52 Week Range	Market Cap 12/7/2017	(000s)				(000s)		P/E	EVS	EVM	
							Revenue 2014	Revenue 2015	Revenue 2016	Revenue 3rd Q 17	Revenue 3rd Q 16	Revenue 3rd Q 17				Revenue 3rd Q 17
1		1 Roper Industries, Inc.	ROP	260.48	182.03-267.83	26.66B	3,549,494	3,582,395	3,789,925	1,159,912	22.7%	39.00	7.61	22.53		
2		2 Allegion, Plc.	ALLE	83.11	63.71-89.81	7.90B	2,118,300	2,068,100	2,238,000	609,400	4.9%	23.62	3.90	18.74		
3		4 Flir Systems, Inc.	FLIR	46.19	33.75-48.06	6.40B	1,530,654	1,577,067	1,662,167	464,712	14.7%	29.78	3.77	17.79		
4		3 Avon Enterprise, Inc.	AXNX	24.33	20.57-28.17	1.29B	164,525	197,892	268,245	73,985	2.9%	93.94	3.64	33.69		
5		5 Honeywell	HON	153.28	113.60-156.70	116.77B	40,306,000	38,581,000	39,302,000	10,121,000	3.2%	23.77	3.13	15.71		
6		6 Gentex Corporation	GNTX	20.43	16.59-22.12	5.8B	1,375,501	1,543,618	1,678,925	438,628	2.1%	16.21	3.02	8.84		
7		7 Verint	VRNT	40.10	33.40-44.70	2.57B	907,292	1,130,266	1,130,266	280,726	8.4%	N/A	2.91	32.55		
8		8 The Geo Group	GEO	24.49	22.64-34.32	2.99B	1,691,620	1,843,307	2,179,490	566,759	2.2%	18.19	2.45	22.00		
9		10 Stanley Black & Decker	SWK	168.36	114.27-170.90	25.82B	11,338,600	11,171,800	11,406,900	3,298,600	14.5%	21.27	2.33	13.78		
10		9 Zebra Technologies Corp. *	ZBRA	107.67	80.61-117.44	5.73B	1,670,572	3,650,000	3,574,000	935,000	3.4%	N/A	2.26	13.31		
11		11 Northrop Grumman Holdings	NOC	302.68	220.72-309.76	62.69B	23,979,000	23,526,000	24,508,000	6,527,000	6.0%	22.56	2.22	15.53		
12		12 Lockheed Martin Corp.	LMT	314.42	245.50-322.19	90.55B	45,600,000	40,536,000	47,248,000	12,169,000	5.4%	18.24	2.12	16.65		
13		13 Napco Security Systems, Inc.	NSSC	9.00	7.40-10.95	169.64M	74,382	77,762	82,513	21,174	5.0%	30.20	2.11	23.83		
14		14 OSI Systems	OSIS	64.13	53.80-96.64	1.22B	906,742	958,202	829,660	257,133	16.4%	59.93	1.88	12.53		
15		15 United Technologies Corp.	UTX	122.40	106.85-124.59	97.75B	57,900,000	56,098,000	57,244,000	15,062,000	4.9%	18.99	1.92	11.51		
16		17 Brady Corporation	BRC	39.10	31.70-40.50	2.02B	1,225,034	1,171,731	1,120,625	290,151	3.6%	20.80	1.75	12.40		
17		16 L-3 Communications Holdings	LLL	193.62	143.54-199.97	15.13B	10,466,000	10,466,000	10,511,000	2,646,000	5.6%	26.74	1.65	14.67		
18		19 Brink's Company	BCO	80.50	40.25-87.30	4.06B	3,562,000	3,061,000	3,021,000	829,000	12.8%	47.92	1.42	13.11		
19		20 Siemens AG	SIEM	67.40	59.26-73.42	112.88B	79,532,000	80,608,000	92,796,700	25,984,400	1.6%	15.79	1.33	10.39		
20		23 ManTech International	MAN	50.33	33.50-52.35	1.96B	1,773,981	1,550,117	1,601,596	422,665	1.7%	32.98	1.16	15.66		
21		21 Johnson Controls**	JCI	37.36	34.51-44.70	34.57B	38,749,000	37,179,000	29,569,000	8,136,000	3.7%	N/A	1.09	11.29		
22		22 CACI International, Inc.	CACI	131.70	112.10-147.31	3.24B	3,564,562	3,313,452	3,744,053	1,085,814	1.2%	19.57	1.01	11.88		
23		24 Magal Security Systems Ltd.	MAGS	4.93	4.13-8.00	113.45M	77,543	63,736	67,825	13,686	-35.9%	N/A	0.94	24.07		
24		18 Invenio Group	INVE	3.02	2.55-7.81	43.02M	81,249	60,794	56,168	15,400	-1.0%	N/A	0.73	203.78		
25		25 Diebold Nixdorf	DBD	18.25	16.00-31.85	1.38B	2,734,800	2,419,300	3,316,300	1,122,700	14.2%	N/A	0.55	12.92		
26		26 Anixter International, Inc. ***	AXE	69.95	62.40-88.60	2.33B	5,507,000	6,190,500	7,622,800	2,016,400	3.1%	16.31	0.47	10.16		
27		27 Vicon Industries, Inc. ***	VII	0.57	.26-.99	10.01M	34,878	44,884	35,760	7,382	0.4%	N/A	0.23	N/A		
Sokoloff Index							2,437.80	340,420,729	332,668,093	350,604,918	94,554,627	Quarterly Growth				
								Over Year 2013	Over Year 2014	Over Year 2015	Over Q2 2017	Over Q3 2016				
								-5.8%	-2.3%	5.4%	5.0%					
											Average	4.7%	2.13	23.82		
											Median	3.7%	23.09	1.92	15.10	

*2015 Year End Revenues for Zebra (Nasdaq: ZBRA) include two months of results of the Enterprise business that the company acquired from Motorola Solutions.
 **Yearly and quarterly revenues for Johnson Controls (NYSE:JCI) dropped due to their spin-off of Adient and merger with Tyco
 ***Vicon Industries still has not reported their Q3 numbers - for comparison purposes we plugged Q2 revenues in for Q3

Growth over previous period

Over 2015

Over 2014

Over 2013

Over Q2 2017



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