

# Security Finance Newsletter

December 2010

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Volume VI, Issue 4

## 3rd QUARTER ANNOUNCED MERGERS & ACQUISITIONS

**Buyer: 3M** (NYSE: MMM) has \$23 billion in sales and employs 75,000 people worldwide.

**Seller: Cogent, Inc.** (NASDAQ: COGT) is a global biometric identification solutions provider which had approximately \$130 million in revenue in 2009 and employs around 500 people.

**Merger: AUTHENTEC** (NASDAQ: AUTH) a provider of security, identity management and touch control solutions, and privately-held **UPEK**, a supplier of fingerprint solutions for consumer, business and government applications have combined. In 2009 UPEK had revenues of \$18 million and the merged company is expected to generate in excess of \$10 million in cost synergies for 2011.

**Buyer: SAFRAN**, a Public Company out of France, is a high-technology group with three core businesses: aerospace, defense and security. It operates worldwide and has over 55,000 employees and annual sales exceeding 10 billion Euros.

**Seller: L-1 Identity Solutions** (NYSE: ID) protects and secures personal identities and assets. It will be selling its Intelligence Services Businesses to **BAE** leaving its Secure Credentialing Solutions, Biometric and Enterprise Access Solutions and Enrollment Services to be acquired by **SAFRAN**.

**Buyer: BAE SYSTEMS** is a global defense, security and aerospace company with 107,000 employees worldwide. In 2009 the company reported US\$36.2 billion in sales.

**Seller: L-1 Identity Solutions** (NYSE: ID) protects and secures personal identities and assets. It will be selling its Intelligence Services Businesses to **BAE** leaving its Secure Credentialing Solutions, Biometric and Enterprise Access Solutions and Enrollment Services to be acquired by **SAFRAN**.

**Buyer: ITT CORPORATION** (NYSE: ITT) is a high-technology engineering and manufacturing

company operating in three markets: water and fluids management, global defense and security, and motion and flow control. This acquisition marks their entry into the airport operations management market.

**Seller: SRA INTERNATIONAL** (NYSE: SRX) is a leading provider of technology and strategic consulting services and solutions to government organizations and commercial clients. They are selling their Airport Operations Solutions Division.

**Buyer: GTCR Portfolio Company, SIX3 SYSTEMS** is a provider of highly strategic and differentiated solutions and services to the U.S. national security and defense intelligence communities.

**Seller: NOVII DESIGN, LLC** is a privately held provider of large scale data fusion systems, cyber solutions and high-end enterprise architectures to the Intelligence Community. The company was founded in 2009 and employs over 70 people.

**Buyer: MANTECH INTERNATIONAL CORP.** (NASDAQ: MANT) is a defense contractor whose support solutions include systems integration and engineering, cyber security, information assurance and network infrastructure protection to name a few.

**Seller: QINETIQ SECURITY AND INTELLIGENCE SOLUTIONS UNIT RETICA SYSTEMS, INC.** is based in Fairfax, Virginia. A provider of integrated security solutions, the company expects to produce approximately \$60 million in revenue for 2010.

**Buyer: KRATOS DEFENSE & SECURITY SOLUTIONS** (NASDAQ:KTOS) is a provider of engineering, information technology services, and war fighter solutions. With 2,750 employees the company purchased HBE for \$54 million in cash.

**Seller: HENRY BROS. ELECTRONICS, INC.** (NASDAQ: HBE) is a turnkey provider of technology based integrated electronic security solutions. Headquartered in Fair Lawn, NJ the company did \$55 million in revenue for 2009.

**Buyer: CACI INTERNATIONAL, INC.** (NYSE: CACI) is a provider of professional services and IT solutions needed for defense, intelligence, homeland security, and IT modernization and government transformation.

**Seller: APPLIED SYSTEMS RESEARCH, INC.** specializes in radar and infrared imaging, passive radio frequency signatures, chemical and biological sensors, and threat detection methodologies. Headquartered in Fairfax, VA and founded in 1999, they employ 50 people and are expected to generate almost \$10 million in revenue for 2010.

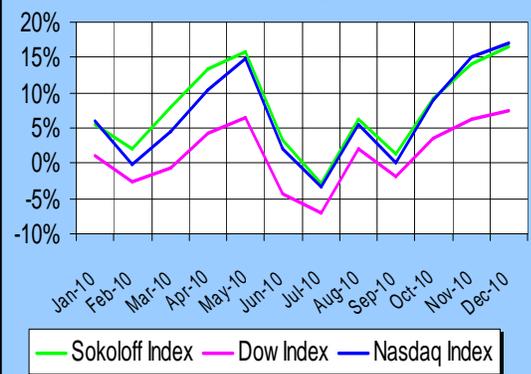
**Buyer: BRADY CORPORATION** (NYSE: BRC) manufactures and markets identification solutions and specialty products that identify and protect premises, products, and people.

**Seller: ID WAREHOUSE** is a supplier of security identification and visitor management products. Headquartered in New South Wales, Australia, the company has annual sales of approximately \$8 million.

**Buyer: IDENTIVE GROUP** (Frankfurt: INV) is a provider of products, services and solutions for the security, identification and RFID industries.

**Seller: SMARTAG** is a Singapore-based manufacturer of RFID inlays and inlay applications and a subsidiary of the France-based Group FCI SA. FCI has operations in 30 countries with 13,600 employees.

Sokoloff Security Index



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**Sokoloff & Company Interviews John Conover, President of Ingersoll Rand Security Technologies**

Globally headquartered in Dublin, Ireland with 57,000 employees and a specialization in the access control area, Ingersoll Rand (NYSE: IR) holds a prominent place in the security industry. This quarter, we were able to talk with **John Conover**, President of IR's Security Technology Sector, about the company.

**Tell us about Ingersoll Rand's history in the security arena.**

Our roots trace back to 1927 when the **Schlage Lock Company** was founded in San Francisco. Schlage added other hardware lines mid-century through the purchase of **LCN**, manufacturer of door closers, and **Von Duprin**, maker of panic door opener devices. In 1974, IR purchased Schlage.

**More recently, our Security business has expanded globally with significant acquisitions in both Europe and Asia.** In Germany, we added the region's leader in time management, facility access control, operational data acquisition and personnel planning systems to our portfolio through the acquisition of **Interflex**. Our purchase of Italy-based **CISA** brought global brands **CISA** and **Bricard** and their electronic locking systems and hardware into our portfolio.

Our Asia Pacific growth opportunities are well positioned as a result of several acquisitions and partnerships, including the purchase of **Bocom**, the largest independent security-systems integration company in China, and a joint venture with **Taiwan FuHsing Industrial Co.**, a leading manufacturer of mechanical locks.

In recent years, we have expanded our portfolio into more solution-based acquisitions, including the 2008 acquisition of **XceedID**.

"Our security business has expanded globally with significant acquisitions in both Europe and Asia."

**What was the career path that led to your current role as President of IR's \$1.7 billion Security Technologies sector?**

Prior to joining Security Technologies, I spent 32 years at **Trane**, which is now part of the Climate Solutions Sector of Ingersoll Rand. Early in my career, I worked with designers and building owners on HVAC and building automation solutions for commercial, institutional and industrial buildings. We developed and delivered both technical and financial solutions for high-performance buildings.

"My long involvement in the construction industry has taught me the importance of teamwork in creating and maintaining high performance buildings."

**All of our brands share a vision to be the world leader in creating and sustaining safe, comfortable and efficient environments.** Our broader Ingersoll Rand business sectors absolutely have a strategy around collaboration and sharing R&D and best practices. For example, Ingersoll Rand has recently set up a healthcare practice area, designed to support our healthcare facility customers with their building needs, be it security or HVAC or building automation.

**IR has brands all over the world. What hurdles do you face when going into different regions?**

It's an interesting challenge for us as there are unique preferences and needs around the world. Additionally, there are different code standards even across the countries of Europe.

In response to this complex landscape, we have a couple of approaches. First, we have strong local leadership and commercial teams across all of our key markets – they are the Ingersoll Rand face to our broad and diverse customer base and are responsible for understanding the local market needs. Second, we have maintained robust local brands that are well known for quality in their markets. For example, our **CISA** brand is a strong name in the Italy commercial market, while we use the **Bricard** name in France.

While we maintain local presence with our customers, we try to leverage global best practices in product development and production. That means we are leveraging global platforms wherever possible, such as with our smart card credentials platform. Finally, we pride ourselves on the deep experience and product knowledge that our employees have around the globe.

**What is the corporate culture of the company, and how do you secure and find talent?**

It's tremendously motivating to know that your work, every day, helps keep children

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



Wellsco INC.

has been acquired by



Infotech

Creating Business Impact

*The undersigned advised Infotech Enterprises Ltd.*



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Just prior to my move to Security Technologies, I was the business leader for Trane's operations in the Americas. My long involvement in the construction industry has taught me the importance of teamwork in creating and maintaining high-performance buildings. The security industry is an integral team member in the overall construction process, and I'm excited to be a part of it.

**IR has many different brands/companies under their umbrella: Schlage, Trane, Hussman, Thermo King, Club Car. What is the common thread that ties them together ?**

safe at schools and makes the world's airports, hospitals and buildings more secure. Our vision attracts the most talented people in the industry who are proud of their work, and who take great personal satisfaction in the difference they are making in communities around the world.

*The most dynamic way in which we identify talent is through our own employees, who represent the diverse nature of the global markets that we serve.* Our vision also shapes our culture, which is based on integrity, respect, teamwork, innovation and courage. Every function in our company, from engineering to sales to manufacturing to HR, supports and creates our value proposition and fundamental belief that the customer comes first.

**You've had a number of acquisitions in the last five years. How do you integrate newly acquired businesses?**

Our approach really depends on the type of transaction. **The first concern is always to ensure we have continuity with customers.** Second, as we think about our end state, we seek to retain the knowledge, talent and technology that brings customer value. But where we can increase customer value or minimize non-value-added costs, we will aggressively drive synergies. As we look into our future, we will be seeking to build partnerships with the key talent of companies we acquire, giving these unique teams and individuals the tools they need to be successful, coupled with the financial strength of a large multi-national company.

**What's in your new product pipeline?**

While I can't share specific launch or development plans, I can say that *our R&D investments are generally focused on next-generation products in the electronic access control and building convergence space.* For example, in October 2010, we launched a new open architecture smart card at the ASIS show, called **aptiQ**, which offers the fastest data transfer in the

## John Conover

President Ingersoll Rand Security Technologies

John holds a degree in civil engineering and brings over 30 years of knowledge and experience working within the commercial building marketplace. Most recently, he served as President of Trane Commercial Systems-Americas. In addition to heading the security area at Ingersoll Rand, he also leads their sustainability strategy council.



industry. In early 2010, we also introduced the **AD Series** of scalable electronic locks that have been generating tremendous interest from customers and the media due to its flexible and modular capabilities. Our end customers are starting to ask for solutions that fit their

solutions for our end users tailored to a particular vertical market or defined customer need. In some cases, this will entail a complete Ingersoll Rand-owned set of products and offerings. In other cases, we see a strong need to offer a "best in breed" solution – Ingersoll Rand partnering with a select group of product and service providers to jointly meet a customer need. On occasion, this may mean the pursuit of an acquisition, but more often, we see that alliances and partnerships will be more fruitful.

**Where do you see IR Security Technologies in five years?**

We will continue to be a market leader in the security industry, having a global presence and offering premium brands. While we will always have a strong mechanical product presence, we will also be a leader in the industry transformation to technology-based, application-enabled, high-performance buildings.

It should be a fun ride.

**Contact  
Sokoloff & Company**

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

**818-547-4500**

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*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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overall building and technology needs, not just security needs, and we seek to be a leader in that evolution.

**What is Security Technology's strategy for both organic and inorganic growth?**

Our overall strategy is to marry our historical mechanical product strength with the emergence of innovative new technologies that we think will change the security game. We think it's less of a question of organic versus inorganic growth, and more an issue of how to effectively meet customer needs. To do this, we are focused on developing broader

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**While at our website, surf around. There's plenty of useful information, including 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 2010 Reports and Stock Prices as of November 16, 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 **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: L-1 Identity Solutions (NYSE: ID) sold its Business Intelligence Unit to BAE Systems, Inc. and then the rest of the company was acquired by Safran, ICx Technologies (Nasdaq: ICXT) was acquired by FLIR Systems, Inc. (Nasdaq: FLIR), Cogent Inc. (Nasdaq: COGT) was acquired by 3M (NYSE: MMM), Roper Industries, Inc. (NYSE: ROP) 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 11/16/2010	52 Week Range	Market Cap 11/19/2010	2007 Revenue (000s)	2008 Revenue (000s)	2009 Revenue (000s)	3rd Q 09 Revenue (000s)	3rd Q 10 Revenue (000s)	Over Q3 2009 3rd Q 10 Incr/Decr	P/E	EVS	EVM				
1	2	Sourceller, Inc.	FIRE	24.73	16.80-32.79	712.55M	55,859	75,673	103,465	27,423	36,164	31.9%	32.08	4.10	27.26				
2	New	Roper Industries, Inc.	ROP	69.79	49.84-72.91	6.61B	2,102,049	2,306,371	2,049,668	485,676	605,088	24.6%	23.24	3.53	13.39				
3	4	Gentex Corporation	GNIX	20.79	16.30-22.99	2.97B	653,933	623,800	544,523	155,742	206,834	32.8%	22.19	3.36	11.65				
4	3	Flir Systems, Inc.	FLIR	27.30	24.00-33.35	4.29B	779,397	1,076,974	1,147,087	285,553	332,497	16.4%	18.21	3.22	10.14				
5	7	Faser Corp.	TASR	4.03	3.52-7.88	253.11M	100,727	92,846	104,252	23,311	21,084	-9.6%	NA	2.16	26.26				
6	9	The Geo Group	GEO	24.37	17.91-26.87	1.57B	976,299	1,043,006	1,141,090	294,865	327,933	11.2%	23.21	2.15	13.34				
7	8	Zebra Technologies Corp.	ZBRA	36.45	24.14-38.83	2.11B	868,279	976,700	803,585	200,778	246,507	22.8%	23.16	2.06	11.93				
8	6	Stanley Black & Decker*	SWK	59.50	47.99-66.27	9.88B	4,360,500	4,426,200	3,737,100	935,500	2,369,100	N/A	N/A	1.71	11.79				
9	16	Identive Group	INVE	2.35	1.29-2.98	101.70M	30,400	28,362	41,315	13,334	23,296	74.7%	N/A	1.57	N/A				
10	11	United Technologies Corp.	UTX	74.16	62.88-77.09	68.48B	54,759,000	59,757,000	52,920,000	13,375,000	13,527,000	1.1%	16.18	1.42	7.89				
11	12	Brady Corporation	BRC	31.01	24.22-35.77	1.63B	1,362,631	1,523,016	1,208,702	318,486	329,588	3.5%	20.03	1.42	9.05				
12	34	ActivIdentity Corp.	ACTI	3.24	1.77-3.33	153.15M	59,553	59,009	62,321	14,500	15,200	4.8%	N/A	1.34	N/A				
13	15	Honeywell	HON	48.44	36.68-49.50	37.79B	34,589,000	36,556,000	30,908,000	7,700,000	8,392,000	9.0%	18.31	1.27	9.98				
14	13	Tyco International	TYC	37.28	33.84-40.61	18.55B	18,477,000	20,199,000	16,882,000	4,322,000	4,493,000	4.0%	16.76	1.23	7.72				
15	14	Ingersoll Rand	IR	41.42	30.12-43.00	13.42B	8,763,100	13,227,400	13,195,300	3,458,900	3,730,300	7.8%	24.58	1.20	10.27				
16	18	DSI Systems	OSIS	35.35	18.80-38.98	668.96M	532,284	623,088	590,361	133,761	125,453	-6.2%	27.05	1.10	10.80				
17	19	Siemens AG	SI	112.59	82.74-120.05	97.85B	92,241,000	104,308,000	103,292,000	26,563,000	28,604,000	7.7%	22.32	1.05	7.67				
18	27	Henry Bros Electronics	HBE	8.32	3.01-8.47	50.94M	57,852	62,358	55,106	12,109	19,345	59.8%	N/A	0.84	18.37				
19	29	RAE Systems, Inc.	RAE	1.60	.63-1.65	95.09M	90,836	95,383	83,172	19,909	24,948	25.3%	N/A	0.96	N/A				
20	21	Diebold	DBD	31.69	18.26-35.20	2.08B	2,947,481	3,081,838	2,718,292	645,222	748,620	16.0%	20.95	0.84	8.44				
21	17	Napco Security Systems, Inc	NSSC	1.68	1.43-3.02	31.70M	66,202	68,367	69,565	14,465	15,327	6.0%	N/A	0.83	N/A				
22	20	Checkpoint Systems, Inc	CRP	17.35	13.68-23.92	687.89M	834,156	917,082	772,718	194,078	203,324	4.8%	18.26	0.80	6.79				
23	23	Johnson Controls	JCI	35.50	25.56-37.55	23.93B	34,624,000	38,062,000	28,497,000	7,867,000	9,040,000	14.9%	16.20	0.80	11.46				
24	22	L-3 Communications Holdings	LLL	69.89	66.11-97.81	7.91B	13,961,000	14,901,000	15,615,000	3,842,000	3,895,000	-0.2%	8.94	0.74	5.89				
25	33	AuthenTec	AUTH	2.21	1.48-3.49	65.30M	52,344	63,948	34,066	10,267	10,232	-0.3%	N/A	0.71	N/A				
26	25	Mantech International	MANT	39.65	34.69-51.83	1.45B	1,448,000	1,870,879	2,020,334	514,630	656,954	27.7%	11.95	0.62	6.56				
27	24	Lockheed Martin Corp.	LMT	68.68	67.87-87.18	24.73B	41,862,000	42,731,000	45,189,000	10,767,000	11,375,000	5.6%	9.27	0.57	5.29				
28	26	Northrop Grumman Holdings	NOC	61.90	53.50-69.80	18.07B	31,828,000	32,315,000	33,755,000	8,350,000	8,714,000	4.4%	9.05	0.57	5.49				
29	31	Brinks Company	BCO	25.37	18.30-29.59	1.18B	2,735,000	3,164,000	3,135,000	801,800	776,100	-3.2%	7.75	0.43	4.62				
30	35	LaserCard Corp.	LCRD	4.55	3.20-6.90	56.06M	32,270	35,095	49,771	15,716	12,743	-18.9%	16.08	0.41	3.21				
31	30	URS Corporation	URS	40.35	35.09-53.25	3.28B	5,383,007	10,086,289	9,249,088	2,318,525	2,340,084	0.9%	12.87	0.38	6.62				
32	32	Richardson Electronics, Ltd.	RELL	10.53	5.31-12.93	187.56M	557,291	568,409	496,377	109,429	137,144	25.3%	8.83	0.34	5.36				
33	28	Magal Security Systems Ltd.	MAGS	3.08	2.50-4.70	31.76M	72,375	57,105	54,518	17,682	13,362	-24.4%	N/A	0.33	N/A				
<b>Sokoloff Index</b>												1,075.15							
Over Year 2006												357,262,825	394,982,198	370,524,778	93,807,724	101,307,227			
Over Year 2007												9.8%	10.6%	-6.2%					
Over Year 2008												5.5%							
Over Q2 2010:												Average	11.88%	17.81	1.34	10.27			
Over Q3 2009												Median	6.8%	18.24	1.05	9.05			

\* Revenues were much higher due to the merger between Stanley Works and Black & Decker.  
Growth over previous period



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