

Security Finance Newsletter

March 2016

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Volume XII, Issue 1

4th/1st QUARTER MERGERS & ACQUISITIONS

Buyer: MOTOROLA SOLUTIONS, INC. (NYSE: MSI)

Seller: AIRWAVE is an operator of public safety networks. Airwave is headquartered in Berkshire, England with approx. 600 employees and is owned by investment fund Macquarie European Infrastructure Fund 2.

Buyer: EVERGREEN CAPITAL

Seller: TYCO (NYSE: TYC) is selling its fire and protection business in Australia. In fiscal year 2015, the business had revenue of approximately \$260 million.

Buyer: CACI (NYSE: CACI)

Seller: L-3 NATIONAL SECURITY SOLUTIONS (NSS) is headquartered in Reston, VA and provides solutions to security agencies and DoD critical missions. NSS employs approximately 4,000 people.

Buyer: SMS INTEGRATION formerly **SMOKY MOUNTAIN SYSTEMS** is a systems integrator.

Seller: NEWTON COMMUNICATIONS SYSTEMS is headquartered in Myrtle Beach, CA and is a systems integrator.

Buyer: GUARDIAN ALARM

Seller: SVI SYSTEMS is based in Stuart, Florida and is an alarm company with 22 employees.

Buyer: TYCO (NYSE: TYC)

Seller: SHOPPERTRAK delivers perimeter traffic analytics for the retail industry and builds upon Tyco's platform of inventory visibility and loss prevention products. The company is headquartered in Chicago and generates about \$75M in annual revenue.

Buyer: CONVERGINT TECHNOLOGIES is a systems integrator.

Seller: DAKOTA SECURITY is a systems integrator headquartered in Sioux Falls, SD.

Merger: TYCO (NYSE: TYC) merged with **JOHNSON CONTROLS (NYSE: JCI)**.

Buyer: LYDIA SECURITY MONITORING, parent company of **COPS MONITORING**

Seller: UNITED CENTRAL CONTROL is a wholesale central station based in Williamstown, NJ.

Buyer: AXIS COMMUNICATIONS is a provider of network video.

Seller: CITILOG is a provider of intelligent real-time video monitoring for traffic and transportation security and safety. The company has 30 employees and is headquartered in Paris, France.

Buyer: NOVIDAM CAPITAL LLC

Seller: WORLDWIDE SECURITY is headquartered in Garden City, NY and is a systems integrator and alarm monitoring company.

Buyer: HONEYWELL (NYSE: HON)

Seller: XTRALIS is a provider of early fire and intrusion detection technologies. Xtralis is headquartered in Dublin, Ireland with approximately 500 employees.

Buyer: PIVOT3 is a hyper-converged infrastructure (HCI) provider.

Seller: NEXGEN STORAGE is a provider of hybrid storage appliances, dynamic all-flash arrays and Quality of Service (QoS) capabilities.

Buyer: APOLLO GLOBAL MANAGEMENT

Seller: ADT (NYSE: ADT). The company will be combined with **PROTECTION 1** and together they are expected to generate \$318 million in RMR and have more than \$4.2 billion in annual revenues.

Buyer: RED HAWK FIRE & SECURITY, LLC provides fire, life safety and electronic security services.

Seller: SYSTEMS SALES CORPORATION specializes in the design and maintenance of commercial fire alarm, nurse call, security, sound and clock systems for the New Jersey and greater Philadelphia area.

Buyer: IBM (NYSE: IBM)

Seller: RESILIENT SYSTEMS, INC. is a provider of security incident response solutions, based in Cambridge, Mass., with approximately 100 employees.

Buyer: HONEYWELL (NYSE: HON)

Seller: VIDEOFIED (RSI VIDEO TECHNOLOGIES) is a video verification provider based in Strasbourg, France with 110 employees.

Buyer: MARLIN EQUITY PARTNERS

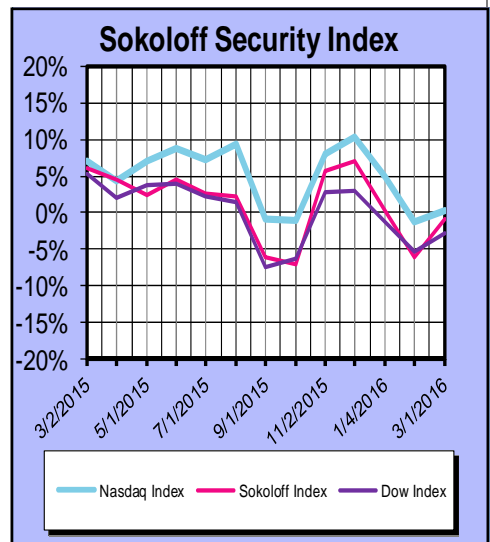
Seller: COBHAM PLC sold **The Surveillance Business (TSB)**. TSB has headquarters in Tampa, Florida and Whiteley in the UK and is a provider of audio and visual surveillance, tracking, and command-and-control solutions.

Buyer: CCL INDUSTRIES is a specialty packaging solutions company.

Seller: CHECKPOINT SYSTEMS (NYSE:CKP) provides electronic article surveillance has 4,894 employees and is headquartered in Thorofare, NJ. Their TTM Revenue (as of September 27, 2015) is \$605.14M.

Buyer: TITAN ALARM

Seller: ARIZONA FIRE TEST specializes in fire alarm installation, tests and inspections. The company is located in Phoenix.



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AN INTERVIEW WITH PETER MARTIN, PRES./CEO , AFIMAC GLOBAL

This quarter, Sokoloff & Company interviews **Peter Martin, President/CEO of AFIMAC**. AFIMAC is a provider of executive protection, cargo security, investigation and work place violence services.

How did you get your start in the security industry and what do you enjoy about being part of it?

After college, I pursued a career in the corrections side of law enforcement. I enjoyed it, but it could be mundane and didn't require the strategic thinking that I have always gravitated toward. I was given an opportunity to transition into a job in the private security space. The company I started with allowed me to experience working at the highest and lowest levels of the organization. I enjoyed tackling complex problems with global perspective, dealing with specialized clients and blending my security knowledge with my business acumen.

I was absolutely hooked. I loved the responsibility and stimulation: If I did my job well, not only was there more money and a promotion involved; I was also able to do something good for the world – help protect people and assets. I enjoyed the challenge of changing people's somewhat negative perceptions about security. In this position I was encouraged to come up with positive solutions so that people would understand the value and importance of what we do.

AFIMAC has been around for 30 years. How has the company been able to survive the ups and downs of the industry and why do you think AFIMAC continues to succeed where other companies in the space have disappeared?

What keeps us ahead of the competition is our ability to bring quality and innovation to the market.

QUALITY

At the base root of what we do - and it is no more complex than this - is the fact that the product we provide exactly matches what the client has been promised.

I know that sounds simple, but I can't tell you how often that is not the case with our competitors. The shock and surprise by our customers when we actually deliver on time and on price exactly as represented is the cornerstone of our philosophy.

Even on a small level - the good looking people on our website are not models, they are actual employees, the building we show is actually our building – what we say we are and how we promote ourselves and what we say we can do is what we provide. If we say we can solve a problem we can, we don't under deliver.

INNOVATION

Most companies in the human capital industry like ours deal strictly in human capital – guards, investiga-

tors and people on the ground - and that's where it ends. We bring innovation to the equation by writing technology that solves complex security issues. For example, we worked with a group to develop software to help our people do investigations. Another example is we discovered that training for higher security positions was not available; so we created our own online school for our employees. Our innovation is not all through the use of technology either. We are project based and have to move a lot of people all over the world, so we bought a travel agency to make this possible.

A further way we differentiate ourselves is the way we get business. We've made a conscious effort not to sell. That is we don't pitch, we don't sell a service,

our opinion on how to solve a problem. We are often able to give them an alternative - something better and cheaper. We also never have surprises, i.e. we always come in on budget and do it efficiently. This builds a high level of trust.

I can honestly tell you it's not all about money. We give tons of consultation for free. We know we are seen as an expert and a valued strategic partner and I believe that is one of the reasons we have succeeded for so many years where others have failed. Through ups and downs we deliver consistency – and this is not always easy when you deal with projects that require multiple languages, a multitude of regulatory environments and different countries.

How would you describe the corporate culture at AFIMAC?

Inclusive and respectful. I would say we are probably one of the few companies in our industry that give the field individuals and lower level supervisors a significant amount of say on how things are done. We trust them.

We are also the only company I know of that has started an internal client program. It's an employee benchmark program which mirrors how we deal with our clients. The obligations to our customer are the same obligations to our employees. If we commit to a deadline with a customer, we fulfill it. If we commit to a deadline with an employee we fulfill that too! If we have a policy to respond to client emails in a certain amount of time, that carries over to the employee as well – if I get an email from a lower level sales person I don't let it sit for days in my inbox, I give them the same respect as I would a client and respond in a timely manner. It can be very difficult but we do our best, because when we treat our employees well they want to treat our clients well too.

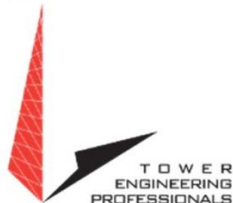
We employ those we believe are the best in the industry - If any one walked out tomorrow they would have a job by noon! So many of our employees have been with us for a very long time. That says something about the culture – our people are everything – so we put their happiness and satisfaction at the same level as our clients –we take them and their satisfaction seriously.

Tell us about your online training program.

The online training program came about in a unique way. About eight years ago, we were doing benchmarking studies of our employees because many had asked us a simple question that we couldn't answer "What do I need to do to be a supervisor?"

We realized that we weren't answering everyone in the same way and that a lot of our answers were conceptual such as "show leadership" and "have a good work ethic." So, we set out to create specific concrete things the employee could do to make their goal of promotion attainable. Things like you must have one thousand hours in the field or you must have these classes fulfilled in CPR. When we looked around for that type of training we found there weren't any good programs out there for advanced guys. And here is another example of what I was talking about earlier of how we are innovative: because there was nothing out there, we started our own online program – we created our own content and our

This notice appears as a matter of record only.



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

Have been Acquired by Management and Investors.



The undersigned advised Tower Engineering Professionals.



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we give a solution. When a person comes to us, they have a problem. They don't want to be pitched so we take the sales out of it; we simply give them a solution to the problem. We listen and tell them how to solve it. We've had many clients tell us that they went with us because it was refreshing not to be sold to.

How have you positioned AFIMAC to differentiate the company from others?

We pride ourselves in consistently delivering a lower cost and more efficient solution than what our client initially requested.

The large corporations we work with generally have a security department so it's not uncommon for our clients to call and tell us what they need vs. asking for

"We pride ourselves in consistently delivering a lower cost and more efficient solution than what our client initially requested."

own online portal.

It turned out to be a great tool for our employees as well as a great selling point for AFIMAC. We could show it to our client as a competitive differentiator. We trained our employees not by some old outdated manual, but by very specific high end courses. Then what was very surprising is that we also had clients realize they could use the online training program for their own security employees and we ended up selling that program to them as well.

What types of candidates do you look for?

We look for those with a strong work ethic - which to us means that they are fundamentally putting the maximum amount of energy into all duties and interactions that they can.

We also look for those with high integrity, those who will listen and articulate a vision, individuals who are able to communicate with any and all groups, those that are able to operate within a team environment.

Above all we seek those that can work within a culture of respect and dignity. We don't allow toxic work environments and hold people accountable.

We hire less than 8% of the people we interview, that's how picky we are.

What do you think are the biggest threats in the workplace violence space and how does AFIMAC educate and help companies prevent them?

The two biggest workplace threats companies are facing are:

1) A current employee who is or has exhibited signs of deterioration of emotional state and is causing great concern that they will harm others.

We educate our clients on how to prevent employee violence by helping them set up programs so employees can say something when there is unease. Often when violence happens co-workers say they saw it coming but they had no way to tell their supervisor without feeling they were ratting out others. We show the client how to create a vehicle whereby workers who see a problem in others can let someone know and feel safe doing so.

2) Individuals who have mental illness that have been terminated and come back and commit acts of violence - and this can be nine months to a year later!

We train companies on how to monitor terminated employees online and how to look for signs that there could be problems brewing - regular check backs are very important to ensure that the relationship is over.

What are the biggest challenges when dealing with natural disaster response?

The biggest challenge we have in natural disaster response is in getting companies to understand what is required and getting them prepared.

Peter Martin, Co-Founder, President, CEO AFIMAC

As an international security practitioner, Mr. Martin has worked extensively in both the North American and overseas markets for over 20 years. Beyond his experience in the international security industry, he is a recognized subject matter expert in crisis management, use of force, threat/risk assessment and personal and physical security measures.



They will often think for example they don't need much security - we just need enough to protect the facility and we have our own in-house security guys who will do the job.

We have to help them understand the psychology of a natural disaster.

When the Head of Security's house has been blown

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

One of the most exciting opportunities that I see is the development of apps.

Three years ago some of the youngest and brightest engineers in the computer space were trying to figure out how to make the next Twitter or Yelp. Things are changing. When people found out that ISIS was able to recruit online within the US borders, we started seeing some of these young bright minds looking for the opportunity to protect our country vs. creating the next big dollar pizza app. Groups like Anonymous helped to fuel this, they said they were going to find every recruitment ISIS site out there and destroy it with viruses. And now we see young people using technology in this war against terrorism. This is great because for a while the bad guys were increasing their technology and we weren't - there was a gap... now it's getting better.

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

We are going to continue to expand our bricks and mortar footprint into more countries and continents. In order to truly provide the highest level of protection for clients in the environments in which they operate, it's critical to have your people and assets there so you can understand the problems in those areas. Other companies don't have boots on the ground; so when a problem is put forth by a client they have to look for an answer and regurgitate what others tell them. This sometimes works - but it's not the same as having actual employees on the ground who understand the language, the country, the political environment... we want to be fully emerged in those environments.

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Cortel

Cortel, Inc. has been acquired by



A partnership owned by management and investors.



The undersigned advised Cortel, Inc.



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down, he's not going to come to work to make sure the company is okay, he's going to be home dealing with his family.

Also, there is the problem with preparation. When there are hurricanes every year, people want to prepare. There hasn't been a major hurricane since 2009, so because of this many companies put less time and money into preparation -time between events makes people less cautious. But this isn't how natural disasters work. You must always be prepared because obviously you have no idea when the next one will be.

People tend to prepare very heavily for things they've been in, if you've been in a fire before and you hear sirens in a hotel, you're going to get out of your bed and get out of there fast! If you haven't you tend to take it for granted, oh... maybe it's a false alarm. We have the challenge of getting people to take the threat of disaster seriously.

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

Q4 2015 Reports and Stock Prices as of March 25, 2016

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 them to other public security companies. Each is ranked by its Enterprise Value divided by Earnings, Price to Earnings (market cap divided by earnings) and EVM, which is Enterprise Value divided by EBITDA (Earnings Before 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.

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Current Rank	Previous Rank	Company	Symbol	Stock Price 3/25/2016	52 Week Range	Market Cap 3/25/2016	2013 Revenue (000s)	2014 Revenue (000s)	2015 Revenue (000s)	4th Q 14 Revenue (000s)	4th Q 15 Revenue (000s)	Over Q4 2014 Incr/Decr	P/E	EVS	EVM				
1	1	Roper Industries, Inc.	ROP	180.53	150.91-195.93	18,255	3,238,128	3,549,494	3,582,395	946,145	943,640	-0.3%	26.35	5.79	16.75				
2	2	Taser Corp.	TASR	18.27	13.56-35.95	980.99M	137,831	164,525	197,892	46,816	56,041	19.7%	50.75	4.40	22.83				
3	3	Allegion, Plc.	ALLE	63.14	52.95-68.08	6.07B	2,069,600	2,118,300	2,068,100	573,500	545,400	-4.9%	39.81	3.65	17.37				
4	4	ADT	ADT	41.10	24.22-42.88	6.79B	3,309,000	3,408,000	3,574,000	887,000	900,000	1.5%	24.15	3.38	6.66				
5	7	Fir Systems, Inc.	FLIR	33.11	25.12-33.75	4.55B	1,496,372	1,530,654	1,577,067	434,366	437,647	0.8%	19.25	2.86	12.49				
6	5	Gentex Corporation	GNIX	15.43	12.93-18.55	4.46B	1,171,864	1,375,501	1,543,618	350,411	405,593	15.7%	14.29	2.68	7.67				
7	8	The Geo Group	GEO	32.81	25.52-44.85	2.42B	1,522,074	1,691,620	1,843,307	427,740	500,127	16.9%	17.45	2.44	13.21				
8	9	Honeywell	HON	111.32	87.00-113.47	84.75B	39,055,000	40,306,000	38,581,000	10,266,000	9,982,000	-2.8%	18.43	2.34	11.69				
9	6	Veeva	VEEV	35.14	29.76-66.45	2.19B	839,542	907,292	1,128,436	282,574	284,054	0.5%	46.23	2.21	15.57				
10	13	Tyco International	TYCO	36.01	28.94-43.71	15.29B	10,073,000	10,332,000	9,902,000	2,478,000	2,376,000	-4.1%	33.07	1.76	11.11				
11	16	Lockheed Martin Corp.	LMT	218.00	181.91-227.91	66.60B	45,358,000	45,600,000	46,132,000	12,530,000	12,917,000	3.1%	19.02	1.74	12.75				
12	10	Zebra Technologies Corp.*	ZBRA	68.19	52.14-119.47	3.56B	1,038,159	1,670,572	3,651,972	790,611	952,741	20.5%	N/A	1.73	11.35				
13	12	Stanley Black & Decker	SWK	103.51	88.72-111.18	15.52B	10,889,500	11,338,600	11,171,800	2,982,500	2,845,400	-4.6%	17.88	1.72	10.74				
14	15	United Technologies Corp.	UTX	99.06	83.39-119.66	82.89B	62,626,000	57,900,000	56,098,000	14,980,000	14,300,000	-4.5%	11.49	1.72	9.37				
15	14	Northrop Grumman Holdings	NOC	194.20	152.31-195.64	35.14B	24,661,000	23,979,000	23,526,000	6,108,000	5,694,000	-6.8%	18.69	1.67	11.10				
16	17	Napco Security Systems, Inc	NSSC	6.19	7.95-7.60	116.52M	71,366	74,382	77,762	19,571	20,497	4.7%	23.72	1.54	18.03				
17	11	OSI Systems	OSIS	63.74	48.19-96.75	1.26B	802,047	906,742	958,202	257,829	197,339	-23.5%	28.17	1.42	8.97				
18	18	Brady Corporation	BRC	26.73	18.46-28.46	1.34B	1,157,792	1,225,034	1,171,731	282,628	268,630	-5.0%	115.71	1.31	10.80				
19	20	L-3 Communications Holdings	LLL	118.42	101.11-131.36	9.18B	12,622,000	10,466,000	10,986,000	2,961,000	2,871,000	-3.0%	N/A	1.21	11.32				
20	19	Siemens AG	SI	90.90	77.91-104.20	73.50B	92,101,000	79,532,000	84,455,000	19,446,000	21,094,000	8.5%	9.72	1.14	10.50				
21	21	CAI International, Inc.	CAGI	99.42	72.19-104.09	2.41B	3,681,990	3,564,562	3,313,452	815,423	830,400	1.8%	18.19	1.00	10.92				
22	23	Drebold	DBD	29.38	22.84-38.94	1.91B	2,857,491	2,734,800	2,424,300	778,600	615,400	-21.0%	25.07	0.91	14.61				
23	22	Johnson Controls	JCI	38.32	33.62-54.52	24.84B	41,410,000	38,749,000	37,179,000	9,624,000	8,929,000	-7.2%	16.70	0.86	10.30				
24	24	ManTech International	MANT	31.13	24.90-34.59	1.17B	2,310,072	1,773,981	1,550,117	411,367	402,401	-2.2%	22.91	0.73	9.74				
25	25	Megal Security Systems Ltd.**	MAGS	4.90	3.93-5.74	80.26M	51,517	77,543	77,543	15,700	17,011	8.4%	23.00	0.73	6.66				
26	27	Checkpoint Systems, Inc	CHKP	422.90M	5.07-11.57	422.90M	689,738	662,040	587,157	183,114	165,135	-9.8%	N/A	0.70	7.51				
27	27	Brink's Company	BCO	32.25	25.80-33.62	1.58B	3,779,000	3,562,000	3,061,000	881,000	766,000	-13.1%	N/A	0.61	9.48				
28	29	Anixter International, Inc.	AXE	50.94	37.60-78.68	1.68B	6,226,500	5,507,000	6,190,500	1,451,800	1,835,800	26.4%	13.34	0.51	9.05				
29	28	Identive Group	INVE	2.25	1.39-12.67	24.11B	74,284	81,249	60,794	19,382	13,077	-32.5%	N/A	0.32	N/A				
30	30	Vicon Industries, Inc.	VII	1.06	.71-2.55	9.90M	39,846	34,878	44,884	10,176	10,881	6.9%	N/A	0.17	N/A				
				1,845.45															
				Sokoloff Index				375,359,733	354,822,769	356,715,029	91,241,253	91,176,214	Quarterly Growth Over Q4 2014						
				Growth over previous period				Over Year 2012	Over Year 2013	Over Year 2014	Over Q3 2015								
								-2.0%	-5.5%	1.2%									
								2015 Year End Revenues for Zebra (Nasdaq: ZBRA) include two months of results of the recently acquired Enterprise business that the company acquired from Motorola Solutions.									Average	1.78	11.73
								**As of this printing, Magal Security Systems Ltd. (Nasdaq: MAGS) 2015 Year End Revenues were not reported - we took the yearly revenue from 2014 for YoY index comparison purposes.									Median	21.08	11.01



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