

# Security Finance Newsletter

April 2017

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Volume XIII, Issue 1

## 4th/1st QUARTER MERGERS & ACQUISITIONS

Buyer: ACRE LLC

**Seller:** COMMUNICATIONS NETWORK LLC (COMNET) is a manufacturer of video and data transmission equipment based in Danbury, Conn.

Buyer: CUNNINGHAM SECURITY

**Seller:** NORTHEAST SECURITY SYSTEMS headquartered in Wicasset, Maine and GREAT FALLS SECURITY based in Apollo, Maine. Both are alarm companies.

Buyer: ACCENTURE (NYSE: ACN)

**Seller:** Based in France, ARISMORE provides security services. ACN also acquired cyber security companies: IDEFENSE SECURITY INTELLIGENCE SERVICES (a division of VERISIGN (NASDAQ: VRSN) and ENDGAME FEDERAL SERVICES BUSINESS.

Buyer: TITAN ALARM

**Seller:** ARROW SECURITY DESIGN LLC is an alarm company based in Scottsdale, Arizona.

Buyer: ALLEGION PLC (NYSE: ALLE)

**Seller:** REPUBLIC DOORS & FRAMES, INC. is a manufacturer of metal doors and frames.

Buyer: CHA CONSULTING

**Seller:** AMERICAN FIRE PROTECTION designs, engineers, installs and maintains fire systems. They are based in Birmingham, Alabama.

Buyer: DORMAKABA

**Seller:** MESKER OPENINGS GROUP is a US-based commercial door and hardware company. DormaKaba also acquired STANLEY BLACK & DECKER'S (NYSE:SWK) mechanical security businesses.

Buyer: ADS

**Seller:** FALCON FIRE SYSTEMS is based in SC and provides fire and other safety systems.

Buyer: AMERICAN ALARM AND COMMUNICATIONS

**Seller:** ATLAS ALARM is based in Weymouth, MA.

Buyer: CONVERGINT TECHNOLOGIES

**Seller:** POST BROWNING is a systems integrator based in Cincinnati.

Merger: PALADIN SECURITY GROUP merged with

**MARCOMM SYSTEMS GROUP, INC. (MSGI) and CONTAVA, INC.** All are systems integration companies based in Canada. They merged again with CRITERION SECURITY forming PALAMERICAN SECURITY.

Buyer: TASER (NASDAQ: TASR)

**Seller:** Taser acquired the computer technologies of DEXTRO, INC. as well as a team of about 20 researchers and engineers from FOSSIL GROUP.

Buyer: RED HAWK FIRE & SECURITY LLC

**Seller:** INTEGRATED SYSTEMS of Florida and ALARM TECH SOLUTIONS of Baltimore, Northern Virginia and Washington D.C. Both are systems integrators.

Buyer: EVERBRIDGE

**Seller:** IDV SOLUTIONS is a physical security and risk visualization software company based in Michigan.

Buyer: GENERAL SECURITY

**Seller:** NEW YORK MERCHANTS PROTECTIVE COMPANY is an alarm company.

Buyer: ENTECH SALES & SERVICE, INC.

**Seller:** LOGICAL BUILDING SOLUTIONS is based in Oklahoma City and provides installation and service of commercial temperature control and security systems.

Buyer: BLUE POINT CAPITAL PARTNERS & FIVE POINTS CAPITAL, INC.

**Seller:** PNC RIVERARCH CAPITAL sold its portfolio company FIRE & LIFE SAFETY AMERICA (FLSA). FLSA is a provider of fire and life safety services and is based in Richmond, VA.

Buyer: CERTARES LP & VANWELL HOLDINGS LLC

**Seller:** GUARDIAN ALARM is a super-regional security company based in Southfield, MI.

Buyer: INVISION TECHNOLOGIES

**Seller:** SAFE SECURITY is a mostly residential company based in Albany, GA.

Buyer: DOYLE SECURITY SYSTEMS, INC.

**Seller:** LOCK-TIGHT is a residentially focused company founded in Hilton, N.Y.

Buyer: ALARM.COM

**Seller:** CONNECT and PIPER - business units of ICONTROL NETWORKS. Piper, based in Ottawa, Canada, designs and produces an all-in-one video and home automation hub. Connect, based in Redwood City, Calif., provides a security and home automation platform. ALARM.COM also acquired OBJECT VIDEO, INC.

based in Tysons, VA. They develop video analytics products.

Buyer: COMCAST

**Seller:** ICONTROL NETWORKS, specifically the CONVERGE business which includes XFINITY HOME and creates Internet of Things (IoT) technologies and next-generation platforms for connected home security.

Buyer: HURON CAPITAL'S company SCIENS BUILDING SOLUTIONS.

**Seller:** W.W. GAY FIRE & INTEGRATED SYSTEMS is based in Jacksonville, FL and is a provider of fire detection and suppression systems, as well as data/security and electrical services.

Buyer: 3M (NYSE:MMM)

**Seller:** JOHNSON CONTROLS' (NYSE:JCI) SCOTT SAFETY. SCOTT SAFETY manufactures safety devices. They are based in Monroe, NC.

Buyer: RIVERSIDE PARTNERS

**Seller:** ALARM FUNDING ASSOCIATES is based in Westchester, PA.

Buyer: MACE INTERNATIONAL (OTC:MACE)

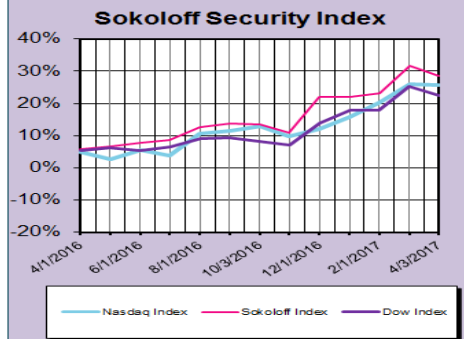
**Seller:** WASHINGTON LABS, LLC produces defense spray products.

Buyer: PALADIN SECURITY

**Seller:** CONCORD SECURITY provides a full range of security services is headquartered in British Columbia and has over 1400 employees.

Buyer: PAE is a portfolio company of PLATINUM EQUITY.

**Seller:** FCI FEDERAL is based in Ashburn, VA with approx. 5,000 employees. FCI provides services for immigration and national security including adjudication support, eligibility verification and business process outsourcing services for federal government customers.



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**AN INTERVIEW WITH  
MIKE PROUDFIT, CEO  
TITAN ALARM**

This quarter, Sokoloff interviews **Mike Proudfit, CEO** for **TITAN ALARM**. The company is a home security, home automation and security integration company. They are headquartered in Phoenix, Arizona.

***What drew you to the Security industry?***

Security is a recession proof industry. In times of economic uncertainty, there is an increased rise of concern and businesses feel the need to safeguard their assets. In times of economic boom, budgets loosen a bit and businesses are willing to invest in technology. Both of these lead to bidding opportunities for security, fire, access control and surveillance.

***What is a typical day like at Titan Alarm, what do you like about working there?***

Titan Alarm Inc. is a fun place to work. Our company culture is created by core values which our staff does an excellent job of promoting. Our staff live and promote these values: an attitude of gratitude; under promising and over delivering; celebrating all wins; an eye on personal development and growth; building a positive team and family environment; supporting and promoting change; living and working with passion; and letting our personalities shine with customers to create memorable moments for them.

***With so many alarm companies what makes Titan Alarm stand out above the competition?***

At Titan Alarm, we feel everything

can and will be copied, so the unique aspects we have to offer are our Brand, Culture, and Development of staff.

Our core values foster a unique culture and atmosphere. We build our brand with dedication to customer service. As a company we aim to take care of the customers at every touch point, from the sales process and in-

referrals. We want our staff to work with people they know, like and trust already so we encourage and motivate them to notify friends and family as opportunities arise. 2) We also hire through online ads. We then put the prospective employees through a 3-4 step interview process to see if they can follow instructions and mainly to see if they are a culture fit.

Lastly, one thing many smaller organizations forget to do is to hire from within. Promote from within. When an important position arises, make sure you do not look past the staff you currently have to extend the offer to all who would like to apply.

***Tell us about the new innovations that are happening in home automation and how the cloud is changing things.***

The connection of Zwave devices to the alarm system software is a major innovation. This allows the user to create rules and schedule the automation for home products that we never dreamed possible. It will take years for customers to catch on and actually take the time to slow down and use these amazing features which are now available.

***What do you consider some of the most exciting trends in the security space?***

We are a huge Alarm.com believer. It's sad to say but even a small child could play around with the different security cellular solution platforms out there and realize within ten minutes that Alarm.com has thought of everything. They have more options. More advanced settings and notifications. You can choose to have email, text, or push notifications or all the above to

*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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stallation to the post install.

We do what is needed to make sure our customers are happy and well taken care of. Titan has even been known to overnight customers a pair of shoes from Zappos to bury the hatchet after we have corrected a mistake we have made.

***How do you find quality employees, train them and keep them? What type of employees do you look for?***

We hire our staff through two channels. 1) We prefer to get employee

**"Security is a recession proof industry."**

many different people if desired. There is no limit. Many of the notifications and settings and rules are now even available to control via the mobile app as opposed to being required to use a desktop computer.

**Mike Proudfit, CEO, Titan Alarm**

Mike Proudfit Graduated from Brigham Young University in 2001 and started a manufacturing company while still in school. In 2003 he was hired on as the CEO of Firstline Security and sold his manufacturing businesses. In 2008 he and his brother Taylor Proudfit started Titan Alarm Inc. Titan Alarm is now in 33 states.



Alarm.com has new features coming out on their software 5-6 times a year opposed to their competitors who have not had a single change in years now.

to realize that not all people will fit within or add to our company culture, environment and/or staff. Integration into our culture comes from multiple

the employee leaves that orientation he/she clearly understands what is expected of them and why we hire and fire by our core values.

One example is a feature called Scenes with Alarm.com. They created different scenes where you as the customer go in and tell the system what automation and settings you would like to occur when you press a certain scene. Once you press that scene button for say "night time" you may have unlimited automation functions occur and change simultaneously in your home with your lights, locks, thermostats, water, blinds, cameras, garage doors, and more.

We love Alarm.com's products and truly feel they are leaps and bounds ahead of the competition and will remain that way. As such, we feel the improvements and trends will tend to be on the software and application side rather than the equipment side. Customers are looking for greater options and smarter controls on the technology side rather than smaller shinier products.

***Titan Alarm is quickly growing via acquisitions. How do you integrate the new companies and how long does it take to make them part of your corporate culture?***

Integrating companies and people into our culture is fun. It is enlightening for both sides. The first step is

office visits on the new employees' part to witness how we operate and what a normal day is for our staff.

When Titan Alarm hires new people they are required to take part in a 2-hour orientation meeting with me, the CEO of the company. I explain how the company was started and why. I share our vision and help get them on board with our plan and growth strategy. During this initial orientation it is imperative that the main points taught are our ten core values. We discuss them at length so that when

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**Cortel**

Cortel, Inc. has been acquired by



**J5 INFRASTRUCTURE PARTNERS**

A partnership owned by management and investors.



**Ridgemont EQUITY PARTNERS**



**CAPITAL ADVISORS**

The undersigned advised Cortel, Inc.



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***Are there plans to take the company national, if so what does that entail, if not what are the benefits of staying in your current area and space.***

Our current focus remains Arizona. We have much room to grow within Arizona and specifically within the Fire, Access Control, Surveillance Systems, and Intrusion markets.

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

Within five years Titan Alarm will be the second largest locally owned and operated company in the state of Arizona with regards to recurring revenue from fire, access, surveillance, and intrusion alarms.

**Sokoloff & Company**

Please contact Bernie Walko  
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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 2016 Reports and Stock Prices as of March 29, 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).

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 3/29/2017	52 Week Range	Market Cap 2/29/2017	(000s)				Over Q4 2015		EVS	EVM
							Revenue 2014	Revenue 2015	Revenue 2016	Revenue 4th Q 16	Incr/Decr 4th Q 16	P/E		
1	2	Roper Industries, Inc.	ROP	207.53	159.28-214.44	21.14B	3,549,494	3,582,395	3,789,925	1,010,800	7.1%	32.28	7.01	20.39
2	1	Taser Corp.	TASR	22.64	17.18-30.15	1.18B	164,525	197,892	288,245	82,077	46.5%	70.75	4.05	28.98
3	3	Alliegon, Plc.	ALLE	75.41	61.47-75.68	7.2B	2,118,300	2,068,100	2,238,000	569,700	4.5%	31.95	3.72	17.37
4	4	Gentex Corporation	GNIX	21.07	14.66-22.12	6.05B	1,375,501	1,543,618	1,678,925	419,913	3.5%	17.71	3.30	9.21
5	5	Flir Systems, Inc.	FLIR	36.16	28.26-37.44	4.93B	1,530,654	1,577,067	1,682,167	474,738	8.5%	30.13	3.07	14.39
6	6	Verint	VRNT	43.50	29.80-44.70	2.73B	907,292	1,128,436	1,130,266	295,859	5.4%	N/A	2.79	28.08
7	8	The Geo Group	GEO	46.21	16.26-49.42	3.74B	1,691,620	1,843,307	2,179,490	566,579	13.3%	23.10	2.64	15.14
8	7	Honeywell	HON	125.30	105.25-127.52	95.32B	40,306,000	38,581,000	39,302,000	9,985,000	0.0%	20.21	2.56	13.06
9	14	Napco Security Systems, Inc.	NSSC	10.20	5.57-10.95	191.78M	74,382	77,762	82,513	20,715	1.1%	32.48	2.30	23.96
10	11	Zebra Technologies Corp.*	ZBRA	88.83	46.13-93.61	4.7B	1,670,572	3,650,000	3,574,000	942,000	-0.9%	N/A	2.01	12.20
11	12	Stanley Black & Decker	SWK	132.01	103.86-136.90	20.15B	11,338,600	11,171,800	11,406,900	2,920,400	2.6%	20.28	2.01	12.21
12	15	Lockheed Martin Corp.	LMT	268.24	219.17-274.57	77.74B	45,600,000	40,536,000	47,248,000	13,752,000	19.4%	15.34	1.90	14.67
13	9	Northrop Grumman Holdings	NOC	236.52	195.66-253.80	41.3B	23,979,000	23,326,000	24,508,000	6,397,000	12.3%	19.40	1.88	12.59
14	13	United Technologies Corp.	UTX	112.06	96.89-114.44	89.84B	57,900,000	56,098,000	57,244,000	14,659,000	2.5%	18.32	1.87	10.64
15	10	OSI Systems	OSIS	72.84	48.76-81.55	1.39B	906,742	958,202	829,660	242,548	22.9%	68.98	1.77	14.51
16	16	Brady Corporation	BRC	37.85	25.98-40.50	1.94B	1,225,034	1,171,731	1,120,625	268,001	-0.2%	20.63	1.81	12.64
17	25	Identive Group	INVE	7.28	1.61-7.81	80.71M	81,249	60,794	56,168	14,647	12.0%	N/A	1.60	N/A
18	18	L-3 Communications Holdings	LLL	166.81	116.97-171.24	12.98B	10,466,000	10,466,000	10,511,000	2,989,000	4.1%	18.52	1.52	12.95
19	21	Magal Security Systems Ltd.	MAGS	7.85	4.08-8.00	179.04M	77,543	63,736	67,825	19,270	13.3%	196.25	1.48	24.40
20	19	Siemens AG	SI	125.80	86.82-127.10	101.62B	79,532,000	80,608,000	84,880,000	20,586,000	1.2%	17.72	1.42	11.17
21	17	Johnson Controls	JCI	42.25	34.66-48.97	39.66B	38,749,000	37,179,000	37,674,000	7,096,000	0.4%	N/A	1.29	13.76
22	20	CACI International, Inc.	CACI	119.80	87.31-135.35	2.92B	3,564,562	3,313,452	3,744,053	1,057,500	27.3%	19.05	1.00	11.31
23	22	Diebold	DBD	30.25	21.05-31.85	2.28B	2,734,800	2,419,300	3,316,300	1,243,400	103.7%	N/A	1.00	21.18
24	24	Brink's Company	BCO	53.35	26.86-54.98	2.68B	3,562,000	3,061,000	3,021,000	804,000	5.0%	77.77	0.96	10.31
25	23	ManTech International	MANI	34.90	30.80-45.52	1.35B	1,773,981	1,550,117	1,601,596	394,178	-2.0%	23.73	0.80	10.40
26	26	Anixter International, Inc.	AXE	77.50	49.29-88.00	2.57B	5,507,000	6,190,500	7,622,800	1,894,600	3.2%	21.58	0.50	10.72
27	27	Vicon Industries, Inc.	VII	0.39	.26-1.80	3.65M	34,878	44,884	35,760	6,605	-39.3%	N/A	0.08	N/A
<b>Sokoloff Index</b>							340,420,729	332,668,093	350,793,218	88,711,530				
							Over Year 2013	Over Year 2014	Over Year 2015	Over Q3 2016				
							<b>-5.8%</b>	<b>-2.3%</b>	<b>5.4%</b>	<b>-2.2%</b>				
<b>2,202.55</b>														
<b>Quarterly Growth Over Q4 2015</b>														
							<b>Average</b>	<b>10.3%</b>	<b>37.91</b>	<b>2.09</b>	<b>15.45</b>			
							<b>Median</b>	<b>4.5%</b>	<b>21.58</b>	<b>1.87</b>	<b>13.06</b>			

Growth over previous period  
\*2015 Year End Revenues for Zebra (Nasdaq: ZBRA) include two months of results of the Enterprise business that the company acquired from Motorola Solutions.



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