



Capstone Partners

Investment Banking Advisors

BIOMETRICS & IDENTIFICATION

Q4 2015

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MERGERS AND ACQUISITIONS

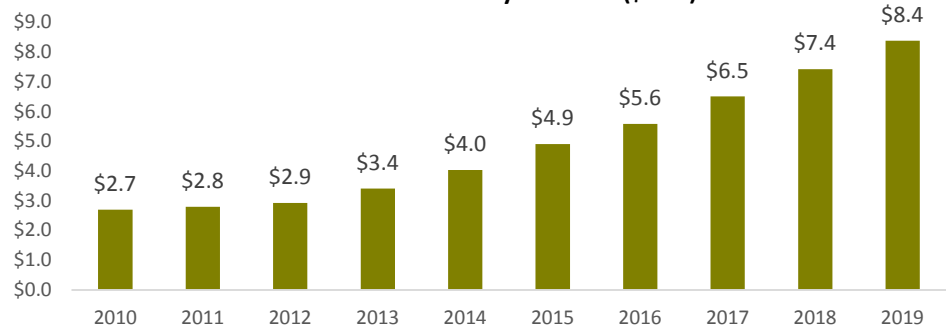
The security solutions industry maintained a positive growth trajectory through the second half of 2015. Driven by an increased regulatory environment combined with new technologies and opportunities, transaction activity remained robust in the sector. There were a number of prominent transactions in the space including Battery Ventures' acquisition of NICE Systems (TASE:NICE) physical security business, now known as Qognify, and Wendel's acquisition of AlliedBarton. The latter transaction kicked off a renewed interest of M&A activity in the security personnel sector, which had been comparatively quiet prior. Additionally, participants in the systems integration and monitoring sectors continue to seek recurring revenue streams via acquisition, including foray into adjacent markets. Capstone's conversations with industry participants confirms that residentially focused alarm monitoring and intrusion detection companies are considering commercial monitoring targets as a means of diversifying revenue.

Additionally, further integration of identification management, access control and monitoring and surveillance has been supported by emerging technologies. Capstone expects advances in wearables, verification solutions, data analytics and 4K video to play an increasingly prominent role in merger and acquisition activity within the security solutions industry.

SECTOR WATCH: BIOMETRICS AND CYBER SECURITY

Capstone has identified cyber security and biometrics as two key sub-sectors of the industry that are expected to generate a significant amount of M&A activity in the near future. Embedded devices, biometric technology, and other advanced technologies are expanding the scope of applications and opportunities in the payments and physical security industries, helping to drive industry revenue to \$8.4B by 2019. Additionally, high profile data breaches accelerated the demand for adequate cyber security solutions among businesses of all shapes and sizes. As customers demand more assurances that their electronic data will be kept secure, we expect to see significant activity in this sub sector.

Biometrics Industry Revenue (\$USB)



Source: IBIS

GROWTH DRIVERS

The long term prospects for security solutions appear both attractive and sustainable due to multiple dynamics. We have identified some key sector trends below.

Integrated Guarding – New administrative requirements, combined with increased labor regulations and related costs, have compressed margins for traditional providers of armed guard services. As such, the prospect of relying on traditional guarding hours for growth has become increasingly difficult. To diversify revenue streams and mitigate labor costs, many providers are adding video surveillance services, often garnered via acquisition. Universal Protection acquired Video SaaS company THRIVE Intelligence in 2013 and Securitas invested in remote video monitoring operator I-Verify in 2014. Capstone expects the trend to continue as margins further compress and competition within the armed guard sector remains strong.

Mass Transportation – The video surveillance market remains active, with advances in technology driving M&A activity as companies vie for market share. One sector expected to drive video surveillance revenue is the mass transportation market, which according to numerous analysts is projected to account for over 35% of the overall global video surveillance market by 2019. New mobile video technologies, such as edge recording, remote access and diagnostics, and decreased costs have made IP based transportation-focused solutions more attractive, providing opportunities into a rapidly growing market.

Biometric Banking – Banking's adoption of biometrics has been a boon for the industry as customer identification moves beyond traditional PINs and ID cards. However, there has been demand for more secure biometric identification methods than currently available fingerprint verification that has succumbed to security breaches, including the hacking of high profile ID touch technology. Banks have been looking to facial, eye and voice recognition as more secure biometric authentication technology, especially for smartphones where voice recognition will aid mobile banking. USAA launched their voice and facial recognition platform for smartphone-based mobile banking this past February. M&A activity is expected to increase as competitors attempt to acquire similar capabilities.

Endpoint Threat Detection – Within cyber security, endpoint threat detection providers have emerged as acquisition targets of choice as competitors search for advanced data protection technologies. CounterTack recently acquired ManTech International's commercial sector-focused cybersecurity software division to enhance the Company's threat analysis capabilities. Additionally, Marlin Equity Partners portfolio company, Fidelis, acquired Resolution1 Security, a leading provider of endpoint threat detection and automated incident response cybersecurity solutions. Look for providers of endpoint threat detection to continue to garner interest in the market, especially from Big Data, as the frequency and financial impact of cyber security incidents increases.

SELECTED DEAL BRIEFS

Several significant transactions were completed in the Security Solutions industry thus far in 2015. Selected transaction profiles are outlined below, followed by a more comprehensive list in the subsequent table:

Apollo Global Management acquires Protection 1 (May 2015) – Recently, private equity firm Apollo Global Management entered into an agreement to purchase Protection 1, a custom security solution designer, at an enterprise value of \$1.5 Billion. Apollo also acquired ASG Security, based in Maryland, which will be combined with Protection 1 to create a new entity under the Protection 1 name. Protection 1 Chairman and CEO Timothy Wall commented, “The acquisitions add size, scope and new markets into the newly combined entity. It also brings a lot of new talent - new sales personnel and a lot of branch personnel. In terms of density, you’ve got a full service company that does residential, commercial and national accounts.

Splunk acquires Caspida (July 2015) – Splunk, a provider of real-time operational intelligence software, recently acquired Caspida, a machine learning and behavioral analytics solutions provider. Caspida was acquired at an enterprise value of \$190 million, comprised of \$127 million in cash and \$63 million in restricted Splunk securities. “Splunk built its reputation in security by enabling customers to more effectively respond to breaches. With this acquisition, our customers can now also better detect advanced threats - the breaches that are becoming more complex and severe with each passing day,” said Haiyan Song, Splunk’s Senior Vice President of Security Markets. “With Caspida, Splunk accelerates its focus on solving advanced threats - both external and from insiders - by shining a light on those who are wrongfully using valid credentials to freely and unpredictably exploit systems they have accessed.”

Universal Protection acquires Guardsmark (July 2015) – On the heels of Wendel’s acquisition of security personnel provider AlliedBarten, Universal Protection acquired Guardsmark in a transaction that created the largest U.S.-owned security company. Serving 400 cities throughout the country, Guardsmark grew organically, with no acquisitions for 38 years, on the strength of its customer service. “The culture of both companies revolves around professionalism and customer service”, stated Universal Services of America CEO Steve Jones, a foundation he believes will help the combined entities become the “industry leader in the private security arena”.

Universal Electronics acquires Ecolink (August 2015) – In a move illustrative of the recent trend towards home automation, Universal Electronics recently acquired Ecolink, a producer of wireless sensors for home automation and wireless security. Ecolink manufactures sensors for windows, doors and garages as well as motion detectors for residential and business settings. “Ecolink’s expertise in wireless security and home automation technology will bring a new level of compatibility to the industry to enable sensors throughout the home to work together seamlessly,” commented Universal Electronics CEO Paul Arling.

SECURITY SOLUTIONS: SELECT M&A TRANSACTIONS

Date	Target	Acquiror	Target Business Description	Enterprise Value (mm)	EV / LTM	
					Revenue	EBITDA
09/17/15	Mformation	Alcatel-Lucent	Provides mobile and 'Internet of Things' security.	-	-	-
09/11/15	Linstar Inc	IdentiSys	Offers services in incident command, video surveillance and positive ID solutions.	-	-	-
09/09/15	RF IDEas	Roper Technologies	Develops and manufactures proximity and contactless reader solutions.	-	-	-
09/03/15	Bigelow Security	Habitec Security	Provides home security services.	-	-	-
09/01/15	Safe Systems	Alarm Detection	Provides monitored security solutions for homes and businesses in Colorado.	-	-	-
09/01/15	Pelican Security	Vector Security	Designs, installs, and monitors security systems for homes, businesses, and multi-site retail chains in North America.	-	-	-
08/31/15	Cam Guard	Video Surveillance.com	Provides managed video surveillance services.	-	-	-
08/19/15	EyeLock	VOXX International	Offers iris-based identity management technology.	-	-	-
08/18/15	Scott Alarm	Crime Prevention Security	Manufactures wiring and home security products for home and commercial builders in northeast Florida.	-	-	-
08/17/15	QI Systems	Denovo	Designs, develops, and markets chip-based card payment and tracking solutions.	-	-	-
08/06/15	Ecolink	Universal Electronics	Develops wireless security, sensing and home automation devices.	\$12.4	-	-
08/04/15	Xceedium	CA	Provides privileged identity management solutions for hybrid cloud enterprises.	-	-	-
07/28/15	ProTec Plus	ADS Security	Distributes security and intercom systems.	-	-	-
07/28/15	Guardsmark	Universal Protection	Provides safety and security services with uniformed security and security infrastructure.	-	-	-
07/09/15	Exclusive Protection	SOS Security	Provides security services.	-	-	-
07/09/15	Universal Protection	Warburg Pincus	Provides security and janitorial services in the United States.	-	-	-
07/08/15	Network Vision	Panduit	Provides industrial Ethernet solutions for security and surveillance and markets.	-	-	-
07/01/15	Federal Resources	Alaris Royalty	Distributes safety and homeland security products for military and marine needs.	-	-	-
06/30/15	AlliedBarton	Wendel	Provides trained and responsive security personnel to organizations in the United States.	\$1,670.0	0.8x	11.3x
06/30/15	OpenDNS	Cisco	Provides Internet security and domain name services to secure internet networks.	-	-	-
06/24/15	Stalwart Systems	North State Telephone	Designs, implements and manages secure IT architectures.	-	-	-
06/24/15	Alarm Associates	LOUD Security	Provides custom security solutions including alarms, locks and cameras.	-	-	-
06/16/15	Professional Alarms	ADS Security	Distributes safety and security services.	-	-	-
06/11/15	AppliedTrust	ViaWest	Offers security, compliance and infrastructure consulting services.	-	-	-
06/11/15	Fire & Life Safety	PNC RiverArch	Designs, fabricates, installs, inspects and services fire protection systems.	-	-	-

SECURITY SOLUTIONS: SELECT M&A TRANSACTIONS

Date	Target	Acquiror	Target Business Description	Enterprise	EV / LTM	
				Value (mm)	Revenue	EBITDA
06/02/15	Cam Connections	Protection 1	Provides security and loss prevention programs.	-	-	-
06/01/15	ESi	State Systems	Supplies electronic surveillance and control access systems to various public and private industries.	-	-	-
05/31/15	Craftmaster Hardware	Capital Resource	Distributes security hardware, detention and locksmith supplies.	-	-	-
05/22/15	Security Connection	B-Safe	Installs security alarms.	-	-	-
05/18/15	Protection 1	Apollo Global	Provides electronic security alarm monitoring services.	\$1,500.0	-	-
05/11/15	HD Protech	Wolfcom	Provides video surveillance products for fixed and mobile solutions.	-	-	-
05/08/15	Savant Protection	Digital Guardian	Develops and markets security software solutions.	-	-	-
05/04/15	Northwest Protective	Universal Protection	Provides security services to residential and commercial clients in the Pacific Northwest.	-	-	-
04/24/15	Fire Protection	Wayman Fire	Provides fire protection contracting services for various markets in the Mid-Atlantic region.	-	-	-
04/13/15	MSA Systems	MidCap Equity	Provides integrated access control systems, intrusion detection, video recording, and perimeter protection.	-	-	-
04/07/15	Metis Secure	Mircom Technologies	Develops emergency notification, communications and management systems.	-	-	-
04/06/15	GS Security Systems	Convergint Technologies	Provides security systems integration and installation services to customers in New England.	-	-	-
03/31/15	Guardian Of Georgia	Imperial Capital	Provides security systems and monitoring services for homeowners in the Southeast and Mid-Atlantic regions.	-	-	-
03/30/15	1 Time	Security Partners	Provides alarm monitoring services for homes and businesses.	-	-	-
03/26/15	Checkview	Iverify.us	Provides security monitoring products.	-	-	-
03/05/15	Urban Robotics	OGSystems	Provides software and hardware solutions for intelligence, surveillance, and reconnaissance (ISR) applications.	-	-	-
03/02/15	QSS	Universal Protection	Provides manned guard and patrol services.	-	-	-
02/23/15	LiveWatch	Monitronics	Provides home security systems for customers in the United States and Canada.	\$61.0	-	-
02/18/15	Pro-Vigil	Riverside Company	Manufactures and delivers remote video surveillance and monitoring systems and services.	-	-	-
02/10/15	Axis	Canon	Provides network video solutions for professional installations.	\$2,413.9	4.1x	26.5x
02/09/15	Agilex	Accenture Federal	Provides mission and technology consulting to the national security, healthcare and public sectors.	-	-	-
02/06/15	Exelis	Harris	Provides command, control, communications, and surveillance systems in the United States and internationally.	\$4,509.8	1.4x	8.8x
01/29/15	Action Security	Hosse & Hosse	Carries and installs security alarm systems.	-	-	-
01/29/15	Aegis	MyerConnex.	Distributes home automation systems, lighting control systems, and access control systems.	-	-	-
01/08/15	Beacon Security	Convergint	Develops and markets access control, electronic security and personnel management systems.	-	-	-

PUBLIC COMPANY TRADING & OPERATING DATA

Company	Price 10/19/15	% 52 Wk High	Market Cap	Enterprise Value	Revenue	LTM EBITDA	Margin	1-Yr Rev Growth	EV / LTM Revenue	EBITDA
Diversified IT Services & Integration										
Diebold, Incorporated	\$33.55	86.2%	\$2,179.6	\$2,510.2	\$3,018.2	\$244.0	8.1%	2.7%	0.8x	10.3x
Honeywell International Inc.	\$97.03	90.3%	\$74,780.2	\$75,422.2	\$38,865.0	\$7,222.0	18.6%	(3.9)%	1.9x	10.4x
Johnson Controls Inc.	\$43.85	80.4%	\$28,680.9	\$36,390.9	\$42,461.0	\$3,348.0	7.9%	7.5%	0.9x	10.9x
Kratos Defense & Security Solutions, Inc.	\$4.12	57.9%	243.1	883.9	807.4	47.7	5.9%	(3.9)%	1.1x	18.5x
Stanley Black & Decker, Inc.	\$98.51	88.6%	15,095.5	19,073.0	11,358.3	1867.9	16.4%	2.9%	1.7x	10.2x
Tyco International Ltd.	\$36.47	81.3%	15,372.7	16,833.7	10,108.0	1050.0	10.4%	(1.3)%	1.7x	16.0x
United Technologies Corporation	\$93.00	74.7%	82,825.6	101,030.6	64,038.0	12358.0	19.3%	(0.2)%	1.6x	8.2x

Mean							12.4%	0.6%	1.4x	12.1x
Median							10.4%	-0.2%	1.6x	10.4x
Harmonic Mean							10.3%	NM	1.2x	11.3x

Access Control & Biometrics										
Allegion Plc	\$60.32	91.3%	\$5,779.4	\$6,858.1	\$2,098.4	\$440.8	21.0%	1.3%	3.3x	15.6x
ASSA ABLOY AB	\$17.67	80.0%	19,626.2	22,476.5	7,575.4	11,402.0	150.5%	21.8%	3.0x	2.0x
Identiv, Inc.	\$3.37	22.5%	36.1	23.3	72.6	NM	NA	(10.3)%	0.3x	NA
Checkpoint Systems Inc.	\$7.14	50.2%	301.0	298.6	619.8	63.4	10.2%	(9.9)%	0.5x	4.7x
Napco Security Technologies, Inc.	\$6.86	90.7%	130.1	138.5	77.8	6.9	8.8%	4.5%	1.8x	20.2x

Mean							47.6%	1.5%	1.8x	10.6x
Median							15.6%	1.3%	1.8x	10.1x
Harmonic Mean							15.1%	NM	0.8x	4.8x

Video Solutions										
Avigilon Corporation	\$10.49	53.2%	\$469.3	\$468.0	\$253.0	\$50.0	19.8%	38.4%	1.8x	9.4x
Canon Inc.	\$31.07	81.8%	33,935.7	30,363.8	30,776.7	5,173.0	16.8%	0.6%	1.0x	5.9x
FLIR Systems, Inc.	\$27.82	80.7%	3,901.7	3,707.9	1,547.2	350.7	22.7%	4.6%	2.4x	10.6x
Mobotix AG	\$13.77	84.4%	180.9	187.3	81.9	5.3	6.5%	(13.0)%	2.3x	NM
NICE Systems Ltd.	\$57.37	84.2%	3,467.4	3,167.3	1,039.2	204.9	19.7%	7.4%	3.0x	15.5x
Shenzhen Infinova Limited	\$1.64	50.2%	1,171.6	1,093.6	216.3	33.1	15.3%	48.8%	5.1x	NM

Mean							16.8%	14.5%	2.6x	10.3x
Median							18.3%	6.0%	2.3x	10.0x
Harmonic Mean							14.1%	NM	2.0x	9.2x

Alarm Monitoring										
AlarmForce Industries Inc.	\$9.17	97.2%	\$106.6	\$101.0	\$42.3	\$13.9	33.0%	5.9%	2.4x	7.3x
Ascent Capital Group, Inc.	\$28.10	43.2%	368.5	1,952.6	551.8	345.1	62.5%	6.9%	3.5x	5.7x
The ADT Corporation	\$33.00	77.0%	5,607.8	10,768.8	3,558.0	1,805.0	50.7%	5.5%	3.0x	6.0x
The Brink's Company	\$30.96	92.1%	1,512.3	1,836.1	3,290.1	184.7	5.6%	(10.3)%	0.6x	9.9x

Mean							38.0%	2.0%	2.4x	7.2x
Median							41.8%	5.7%	2.7x	6.6x
Harmonic Mean							16.4%	NM	1.4x	6.9x

CAPSTONE PARTNERS: SELECT BIOMETRICS AND IDENTIFICATION TRANSACTIONS

**CLIENT
(CONFIDENTIAL)**

*is pursuing a
corporate sale*

**CUSTOM DESIGNER
OF SECURITY
SYSTEMS &
PRODUCTS**

Capstone Partners has been retained by an award winning designer and integrator of enterprise-class security systems, with a unique expertise in custom solution development. The Company has successfully launched proprietary security products, including a video surveillance solution and a threat detection system. Headquartered in the Northeast, the Company boasts an established reputation as a service firm capable of handling large-scale assignments, including multi-facility projects that require complex and custom specifications. The Company mainly serves the higher education, healthcare, municipal and biopharma sectors.

**CLIENT
(CONFIDENTIAL)**

*is pursuing a
corporate sale*

**IT SERVICES &
SECURITY SYSTEM
INTEGRATOR**

Capstone Partners has been retained by a regional IT services and security systems integrator located within the Southeast. An award winning firm, management has leveraged a highly-efficient IT infrastructure to rapidly grow, building a leadership position within the K12 education market. Services include Audio Video Solutions, City Surveillance, Enterprise Networking, Hosted & Managed Services, Physical Security including Access Control, Unified Communications and Voice, Data and Fiber Cabling.



*has been
acquired by*



securadyne
systems

a portfolio company of
PAMLICO
CAPITAL

Capstone Partners advised Surveillance Specialties, Ltd. ("SURV") on its acquisition by Securadyne Systems, a portfolio company of Pamlico Capital. SURV was founded in 1986 as a covert surveillance company and changed its business model to a full-service systems integrator in 1999. Since then, the company has achieved considerable and consistent growth, and emerged as a top independently-owned and operated security systems integrator in New England. The transaction complemented Pamlico's build-up strategy which was focused on securing best-in-breed operating platforms. The acquisition of SURV considerably expands Securadyne's geographic reach and expands the company's ability to deliver high-end, fully integrated solutions in a number of key vertical markets.



neven vision
MACHINE VISION TECHNOLOGY

*has been
acquired by*




ProLogic
Incorporated

*has been
acquired by*



Ultra
ELECTRONICS



Empire
Technologies

*has been
acquired by*



ConvergeOne



INTEGRATED BIOMETRIC TECHNOLOGY
Empowered Technology for the 21st Century

*controlling interest has
been acquired by*

**L-1 Investment
Partners, LLC**

THE BIOMETRICS & IDENTIFICATION TEAM



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Ted is Managing Director and Head of the Central Region at Capstone, based out of Chicago. Prior to Capstone, Ted ran the corporate finance practice in the Central region for Morgan Stanley Smith Barney's Capital Strategies Group and its predecessor, Citi Capital Strategies. He has over 20 years of experience, having completed strategic sale and recapitalization transactions across a variety of industries. Ted is a frequent public speaker on the topic of business exits and recapitalizations of privately owned businesses. In 2008, Ted was recognized by The M&A Advisor for the Cross-Border Middle-Market Deal of the Year. In 2009, another of his transactions was recognized as the Middle-Market M&A Financing Deal of the Year and in 2011 he was recognized for lead-managing the Middle-Market Deal of the Year. Previously, Mr. Polk worked at Valuometrics, Inc. and in the Corporate Banking Group at The Bank of New York. Ted received his BSBA degree from Georgetown University and MBA from the University of Chicago. He is a Chartered Financial Analyst (CFA), a Series 7 and 63 Registered Securities Representative, and a Series 24 Registered Securities Principal.



Lisa Tolliver, Director

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Lisa has 15 years of experience in the investment banking industry, primarily focused on advising private business owners in liquidity related transactions. Presently, Lisa is a Director in Capstone's Chicago office, supporting the management of the Central Region. Prior to Capstone, Ms. Tolliver worked in the Capital Strategies Group at Morgan Stanley Smith Barney, where she was involved in the evaluation, marketing and closing of numerous transactions across a wide range of industries. Specifically, Lisa has developed expertise within various industries including government and defense, software and technology, manufacturing, and outsourced business services. Lisa received her BA on academic scholarship from Illinois State University and is a Series 7 and 63 Registered Securities Representative.



Daniel Schultz, Director of Business Development

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Dan oversees Capstone's national business development and industry coverage activities, working closely with current and prospective clients of the firm on matters related to corporate sales, recapitalizations, mergers & acquisitions and growth financings. In his role, Dan is able to deliver specific market intelligence to clients regarding M&A, financing, strategic, industry and competitive trends. Prior to spearheading the firm's business development and market initiatives, he was a Vice President in Capstone's M&A group, managing numerous successful transactions across a variety of industries. Dan also gained hands-on transaction experience as an investment banker at Headwaters MB. He started his career with Ernst & Young's National Professional AABS practice and later worked in Assurance and Advisory Business Services in the Denver office. Dan received a BE in Biomedical Engineering with a Business Minor from Vanderbilt University. He earned an MBA and a Master of Accountancy from the Daniels College of Business at the University of Denver.

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ABOUT CAPSTONE PARTNERS

Capstone Partners LLC is a premier investment banking firm dedicated to serving the corporate finance needs of middle market business owners, investors and creditors. The firm provides M&A, corporate restructuring, private placement and financial advisory services. Headquartered in Boston, Capstone has offices in Chicago, London, Los Angeles, Philadelphia, San Diego, Silicon Valley and Tampa with an international presence that spans 450+ professionals in close to 40 countries.

For more information
about our expertise,
please visit

www.capstonellc.com



Capstone Partners
Investment Banking Advisors

World Class Wall Street Expertise. Built for the Middle Market