

# Q3 2013 Security & Risk Market Snapshot

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# Signal Hill at a Glance

Signal Hill is a leading independent advisory boutique serving the M&A and private capital raising needs of growth companies. Signal Hill's experienced bankers provide deep domain expertise and an unyielding commitment to clients in our sectors: Internet & Digital Media, Internet Infrastructure, Services and Software. With over 600 completed transactions and offices in Baltimore, Bangalore, Boston, Nashville, New York, Reston and San Francisco, Signal Hill leverages deep strategic industry and financial sponsor relationships to help our clients achieve Greater Outcomes®.

## Recent Mergers & Acquisitions, Strategic Advisory Transactions

- Mergers & Acquisitions
- Equity Private Placements
- Restructurings
- Strategic Advisory
- Special Committee Advisory
- Fairness Opinions

 HAS BEEN ACQUIRED BY  OCTOBER 2013	 HAS BEEN ACQUIRED BY  SEPTEMBER 2013	 HAS BEEN ACQUIRED BY  SEPTEMBER 2013	 HAS BEEN ACQUIRED BY  AUGUST 2013	 HAS BEEN ACQUIRED BY  AUGUST 2013	 HAS BEEN ACQUIRED BY  AUGUST 2013	 HAS BEEN ACQUIRED BY  AUGUST 2013	 MINORITY RECAPITALIZATION BY  JULY 2013
 HAVE BEEN ACQUIRED BY  JULY 2013	 HAS BEEN ACQUIRED BY  JUNE 2013	 HAS RECEIVED EQUITY FUNDING FROM  JUNE 2013	 HAS BEEN ACQUIRED BY  JUNE 2013	 CERTAIN ASSETS HAVE BEEN ACQUIRED BY  MAY 2013	 HAS RECEIVED EQUITY FUNDING FROM  MARCH 2013	 HAS BEEN ACQUIRED BY  APRIL 2013	 HAS BEEN ACQUIRED BY  MARCH 2013
 HAS RECEIVED GROWTH EQUITY INVESTMENT FROM  MARCH 2013	 HAS BEEN ACQUIRED BY  MARCH 2013	 HAS RECEIVED GROWTH EQUITY INVESTMENT FROM  FEBRUARY 2013	 HAS BEEN ACQUIRED BY  FEBRUARY 2013	 HAS BEEN ACQUIRED BY  JANUARY 2013	 HAS BEEN ACQUIRED BY  JANUARY 2013	 HAS BEEN ACQUIRED BY  JANUARY 2013	 HAS BEEN ACQUIRED BY  DECEMBER 2012
 HAS BEEN ACQUIRED BY  DECEMBER 2012	 HAS RECEIVED GROWTH EQUITY INVESTMENT FROM   DECEMBER 2012	 RECEIVED A GROWTH INVESTMENT FROM  NOVEMBER 2012	 HAS BEEN ACQUIRED BY  NOVEMBER 2012	 HAS BEEN ACQUIRED BY  OCTOBER 2012	 HAS BEEN ACQUIRED BY  OCTOBER 2012	PRIVATE PLACEMENT  SEPTEMBER 2012	HAS BEEN ACQUIRED BY   OCTOBER 2012

# Signal Hill's Security & Risk Practice

 Relevant   Intelligent   Security HAS BEEN ACQUIRED BY  AUGUST 2013	 HAS BEEN ACQUIRED BY  OCTOBER 2012	 HAS BEEN ACQUIRED BY  JANUARY 2012	 Relevant   Intelligent   Security PRIVATE PLACEMENT  NOVEMBER 2011	 HAS BEEN ACQUIRED BY  SEPTEMBER 2011	 HAS BEEN ACQUIRED BY  MAY 2011	 HAS BEEN ACQUIRED BY  FEBRUARY 2011	UTM Vendor HAS BEEN ACQUIRED BY Large Public Security Vendor FEBRUARY 2011	 HAS BEEN ACQUIRED BY  JANUARY 2011
 HAS BEEN ACQUIRED BY  OCTOBER 2010	 HAS MERGED WITH  SEPTEMBER 2010	 HAS BEEN ACQUIRED BY  MAY 2010	 HAS BEEN ACQUIRED BY  FEBRUARY 2010	 HAS BEEN ACQUIRED BY  FEBRUARY 2010	 HAS BEEN ACQUIRED BY  JULY 2009	 ACQUIRED THE ASSETS OF  MARCH 2009	 HAS BEEN ACQUIRED BY  JANUARY 2009	 Secure. Protect. Comply. HAS MERGED WITH  NOVEMBER 2008
 HAS BEEN ACQUIRED BY  SEPTEMBER 2008	 HAS BEEN ACQUIRED BY  AUGUST 2008	 HAS BEEN ACQUIRED BY  JUNE 2008	 HAS ACQUIRED  JANUARY 2008	 HAS BEEN ACQUIRED BY  DECEMBER 2007	 HAS BEEN ACQUIRED BY  APRIL 2007	 HAS MERGED WITH  AUGUST 2007	 HAS BEEN ACQUIRED BY  SEPTEMBER 2007	 HAS RECEIVED STRATEGIC INVESTMENT FROM  JULY 2007
 HAS BEEN ACQUIRED BY  DECEMBER 2006	 HAS ACQUIRED  DECEMBER 2006	 HAS BEEN ACQUIRED BY  AUGUST 2006	 HAS ACQUIRED  JULY 2006	 HAS ACQUIRED  FEBRUARY 2006	 HAS BEEN ACQUIRED BY  AUGUST 2005	 HAS BEEN ACQUIRED BY  AUGUST 2004	 HAS BEEN ACQUIRED BY  OCTOBER 2003	 HAS ACQUIRED  OCTOBER 2003

# Q3 2013 Security & Risk M&A Overview

The Security & Risk sector experienced a doubling of deal volume in Q3 2013, strongly aided by the \$2,700.0M Sourcefire / Cisco transaction\*. The median Enterprise Value over TTM revenue multiple paid also increased significantly to what may be a quarterly record of 10.7x, driven by at least four double-digit revenue multiple transactions and several others in the high single-digits. Although the number of transactions announced declined versus Q2 2013 and the prior-year quarter, on a YTD basis the number of announced deals is above average and we anticipate continuing strong activity through the end of 2013 and into 2014. Drivers include the growing number of newly-IPO'ed (and to be public) companies with currency and tremendous financial sponsor interest in the sector.

<i>Source: Signal Hill</i>	Q3 2012	Q4 2012	Q1 2013	Q2 2013	Q3 2013
Number of Deals	33	40	21	35	26
% change from prior quarter	-	21.2%	-47.5%	66.7%	-25.7%
Total Announced Enterprise Value (\$M)	\$2,957.8	\$739.9	\$335.0	\$1,883.0	\$4,104.2
% change from prior quarter	-	-75.0%	-54.7%	462.1%	118.0%
Median Announced Deal Size (\$M)	\$24.0	\$40.00	\$125.0	\$30.0	\$25.0
% change from prior quarter	-	66.7%	212.5%	-76.0%	-16.7%
Median EV/TTM Revenue Multiple	3.8x	1.3x	3.3x	3.2x	10.7x
% change from prior quarter	-	-200.6%	153.8%	-3.0%	234.6%

\*Learn more about this transaction on page 6

# Notable Q3 2013 Security & Risk M&A Transactions

## Select Security & Risk Transactions, Q3 2013



**Solutionary Acquired by NTT**

**Signal Hill advised Solutionary.** Solutionary, a leading pure-play enterprise Managed Security Services Provider, has been acquired by Nippon Telegraph and Telephone Corp. (NYSE: NTT), the world's largest global IT and telecommunications services company. The acquisition enhances Solutionary's continued global expansion, ongoing R&D and worldwide security intelligence capabilities.



**Sourcefire Acquired by Cisco**

EV: \$2,700.0M  
Revenue Multiple: 10.7x

Sourcefire, a leader in advanced intrusion prevention and network attack prevention solutions, has been acquired by Cisco Systems (NASDAQ: CSCO). The acquisition will provide customers a comprehensive advanced threat protection portfolio as well as a broad set of enforcement and remediation options that are integrated, pervasive, continuous and open.



**Trusteer Acquired by IBM**

EV: \$900.0M  
Revenue Multiple: 25.7x

Trusteer, a leading provider of software that helps protect organizations against fraud and advanced security threats, has been acquired by IBM (NYSE: IBM). The acquisition will expand IBM's data security capabilities further into the cloud, mobile and endpoint security space, proving customers with comprehensive network and endpoint anti-malware solutions.



**Alert Logic to be Acquired by Welsh, Carson, Anderson & Stowe**

EV: \$300.0M  
Revenue Multiple: 8.3x

Alert Logic, a major provider of Security-as-a-Service solutions for the cloud, has agreed to be acquired by Welsh, Carson, Anderson & Stowe, a leading private equity firm. The transaction will allow Alert Logic to continue increasing the scale of its business, meeting the high demand for IT security in the cloud and in virtualized enterprise data centers.



**Avekسا Acquired by EMC**

EV: \$225.0M  
Revenue Multiple: 9.0x

Avekسا, a leader in business-driven Identity and Access Management (IAM) solutions, has been acquired by EMC (NYSE: EMC), the global leader in storage solutions and IT as a service (ITaaS). The combination of Avekسا and RSA, the Security Division of EMC, will align insight from roles, processes and security-oriented Big Data to enable better visibility, prioritization, detection and response to risk and real-time threats.





# Q3 2013 Security & Risk M&A Transactions

Date Announced	Seller	Buyer	Enterprise	Revenues	Enterprise
			Value		Value
30-Sep-13	Sensory Networks, Inc.	Intel Corporation	\$20.0	-	NA
27-Sep-13	N2 Net Security, Inc.	Tangible Software, Inc.	-	-	NA
26-Sep-13	SaaSID	Intermedia.net, Inc.	-	-	NA
25-Sep-13	IdenTrust, Inc. / 51% Stake	Parallax Capital Partners / StepStone Group	-	-	NA
24-Sep-13	Jumpshot	AVAST Software a.s.	-	-	NA
20-Sep-13	Unmask Parasites	Sucuri Inc.	-	-	NA
18-Sep-13	Arxan Technologies Inc. / 51% Stake	TA Associates	-	-	NA
17-Sep-13	Versafe Ltd.	F5 Networks, Inc.	\$100.0	\$2.0	50.0x
16-Sep-13	StillSecure	Versata Enterprises	-	-	NA
03-Sep-13	Packetloop	Arbor Networks, Inc.	-	-	NA
29-Aug-13	Orion Systems Group	System Development.Integration LLC	-	-	NA
20-Aug-13	VisibleRisk	Click Security, Inc.	-	-	NA
20-Aug-13	Alert Logic, Inc.	Welsh, Carson, Anderson & Stowe	\$300.0	\$36.0	8.3x
15-Aug-13	Trusteer Inc.	IBM Corporation	\$900.0	\$35.0	25.7x
9-Aug-13	Armorize Technologies, Inc.	Proofpoint, Inc.	\$25.0	-	NA
14-Aug-13	On Track Innovations Ltd. / SmartID division	SuperCom Ltd	\$10.0	-	NA
09-Aug-13	Diversinet Corp. / Assets	IMS Health, Inc.	\$1.9	\$1.4	1.4x
2-Aug-13	Ensignta Security	FireEye, Inc.	\$3.2	-	NA
25-Jul-13	Abaca Technology	Proofpoint	-	-	NA
25-Jul-13	PassBan Corp	RSA Security	-	-	NA
24-Jul-13	Social Cloud Inc	Reputation.com	-	-	NA
23-Jul-13	Sourcefire	Cisco Systems, Inc.	\$2,494.1	\$233.0	10.7x
18-Jul-13	PasswordBank Technologies	Symantec Corporation	\$25.0	\$2.0	12.5x
8-Jul-13	Aveska Inc.	EMC Corporation	\$225.0	\$25.0	9.0x
08-Jul-13	TrustedID Inc.	Equifax Inc.	-	-	NA
02-Jul-13	Internet Systems Consortium, Inc / security assets	Farsight Security, Inc.	-	-	NA

# Security & Risk Public Companies – Q3 2013 Trading Statistics

		(\$ in millions, except per share amounts)														
Market Segment	Company	Price 9/30/2013	% Dec./Inc. from LTM		Fully Diluted Eq. Val.	Revenue				Fully Diluted Ent. Val.	Enterprise Value /					
			High	Low		LTM	CY '13E	CY '14E	Net Cash		Revenue			EBITDA		
											LTM	CY '13E	CY '14E	LTM	CY '13E	CY '14E
<b>Security Bellwether</b>																
Content	Symantec Corp.	\$24.75	(8.7%)	45.4%	\$17,310	\$6,947	\$6,929	\$7,086	\$1,689	\$15,621	2.2x	2.3x	2.2x	8.2x	7.4x	6.4x
SVM	Check Point Software Technologies Ltd	\$56.56	(4.9%)	39.3%	\$11,110	\$1,364	\$1,392	\$1,474	\$1,241	\$9,870	7.2x	7.1x	6.7x	12.9x	11.9x	11.2x
IAM	Gemalto N.V.	\$84.85	(17.5%)	28.0%	\$7,134	\$3,067	\$3,357	\$3,734	\$457	\$6,677	2.2x	2.0x	1.8x	13.7x	11.4x	9.6x
SVM	FireEye, Inc.	\$41.53	(7.5%)	17.8%	\$4,879	\$115	NA	NA	\$28	\$4,851	42.1x	NA	NA	NM	NA	NA
Content	Trend Micro Inc.	\$37.25	(5.6%)	81.8%	\$4,947	\$1,017	\$1,097	\$1,129	\$1,309	\$3,638	3.5x	3.3x	3.2x	10.8x	10.5x	10.2x
SVM	Palo Alto Networks, Inc.	\$45.82	(31.6%)	17.2%	\$3,284	\$396	\$467	\$630	\$420	\$2,864	7.2x	6.1x	4.5x	NM	NM	34.7x
SVM	Fortinet Inc.	\$20.26	(20.1%)	23.0%	\$3,294	\$571	\$601	\$684	\$503	\$2,791	4.9x	4.6x	4.1x	27.1x	21.7x	17.8x
Content	AVG Technologies N.V.	\$23.94	(9.9%)	153.9%	\$1,308	\$396	\$423	\$485	\$5	\$1,303	3.3x	3.1x	2.7x	9.7x	9.0x	8.2x
Content	Proofpoint, Inc.	\$32.12	(3.1%)	228.8%	\$1,134	\$118	\$130	\$155	\$86	\$1,048	8.9x	8.0x	6.8x	NM	NM	NM
SVM	Imperva Inc.	\$42.02	(20.1%)	53.6%	\$1,040	\$118	\$136	\$170	\$112	\$928	7.9x	6.8x	5.5x	NM	NM	NM
SVM	Qualys, Inc.	\$21.39	(7.8%)	110.7%	\$684	\$99	\$108	\$126	\$105	\$579	5.8x	5.4x	4.6x	47.4x	34.1x	25.4x
<b>Median</b>											<b>5.8x</b>	<b>5.0x</b>	<b>4.3x</b>	<b>12.9x</b>	<b>11.4x</b>	<b>10.7x</b>
<b>Mean</b>											<b>8.7x</b>	<b>4.9x</b>	<b>4.2x</b>	<b>18.5x</b>	<b>15.2x</b>	<b>15.4x</b>
<b>Security Small Cap</b>																
Content	F-Secure Oyj	\$2.44	(16.3%)	23.3%	\$379	\$203	\$214	\$224	\$46	\$332	1.6x	1.6x	1.5x	7.9x	7.4x	6.9x
Content	Zix Corp.	\$4.90	(2.5%)	96.0%	\$304	\$46	\$49	\$56	\$26	\$277	6.0x	5.7x	5.0x	30.1x	20.9x	16.0x
SVM	Absolute Software Corp.	\$7.06	(5.1%)	107.4%	\$298	\$83	\$87	\$95	\$45	\$252	3.0x	2.9x	2.7x	16.4x	20.9x	17.0x
IAM	Vasco Data Security International Inc.	\$7.89	(17.2%)	21.2%	\$305	\$148	\$160	\$173	\$86	\$219	1.5x	1.4x	1.3x	12.1x	10.1x	7.8x
Content	CommTouch Software Ltd.	\$2.69	(32.6%)	35.9%	\$71	\$28	\$32	\$39	\$2	\$69	2.4x	2.1x	1.8x	NA	NA	NA
Content	Wave Systems Corp. CI A	\$1.30	(69.3%)	49.4%	\$41	\$27	\$28	\$31	NA	\$41	1.5x	1.5x	1.3x	NA	NA	NA
IAM	Bio-key International Inc.	\$0.27	(35.4%)	430.0%	\$24	\$3	NA	NA	NA	\$24	7.8x	NA	NA	NA	NA	NA
SVM	Intrusion Inc.	\$1.05	(18.0%)	1209.2%	\$13	\$7	NA	NA	NA	\$16	2.2x	NA	NA	36.3x	NA	NA
<b>Median</b>											<b>2.3x</b>	<b>1.8x</b>	<b>1.6x</b>	<b>16.4x</b>	<b>15.5x</b>	<b>11.9x</b>
<b>Mean</b>											<b>3.3x</b>	<b>2.5x</b>	<b>2.2x</b>	<b>20.5x</b>	<b>14.9x</b>	<b>11.9x</b>

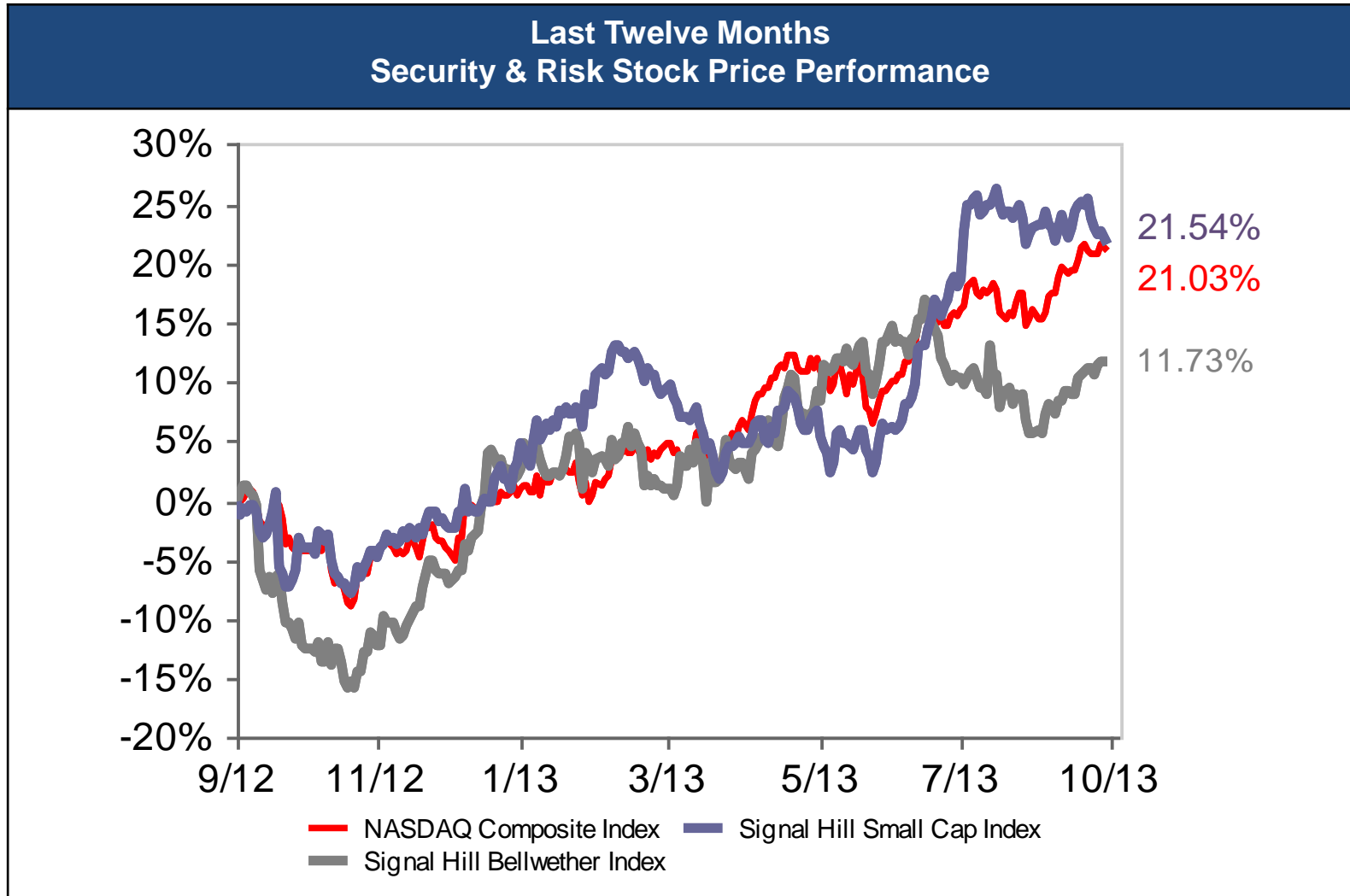
Content – antimalware, antivirus, email web filtering, data security and related threat protection segments.

IAM – identity & access management solutions.

SVM – Network Security & Vulnerability Management including IDS/P, firewalls, and vulnerability management



# LTM Relative Security & Risk Stock Price Performance



# Select Q3 2013 Security & Risk Financing Activity

Company	Investor(s)	Deal Value	Round Number
MobileIron	Northgate Capital Partners, Foundation Capital, Institutional Venture Partners, Norwest Venture Partners, Sequoia Capital, Storm Ventures, Big Basin Partners	\$50.0	6
Cloud Security Corp.	Kodiak Capital Group	\$2.0	1
WiSeKey SA	Undisclosed	\$25.0	2
KoolSpan Inc.	Undisclosed	\$7.4	3
CrowdStrike	Accel Venture Partners	\$30.0	2
AlientVault	GGV Capital, Trident Capital, Kleiner Perkins Caufield & Byers, Sigma West, Adara Venture Partners, Top Tier Capital, Correlation Venture	\$26.5	4
Seismic	Sigma West	\$4.5	1
Sentinel Labs	Granite Hill Capital Partners, Accel Partners, Data Collective	\$2.5	2
Defense.net	Bessemer Venture Partners	\$9.5	1
ClearData Networks	Norwest Venture Partners, Excel Venture Management	\$7.0	2
Synack	Kleiner Perkins Caufield & Byers, Greylock Partners, Wing Venture Partners, Allegis Capital	\$1.5	1
Pwnie Express	.406 Ventures, Fairhaven Capital, Vermont Seed Capital Fund	\$5.1	1
Prolexic Tech	Trident Capital, Intel Capital, Kennet Partners, Camden Partners, Medina Capital	\$30.0	5
Catbird	Medina Capital	\$10.0	2
MobileSpaces	Marker LLC, Accel Partners	\$8.6	2
Riskive	Gencast Ventures, Core Capital Partners	\$2.2	1
OpenDNS	Sequoia Capital, Greylock Partners, and Sutter Hill Ventures	\$9.3	5
RiskIQ	Summit Partners	\$10.0	1
Ping Identity Corp.	W Capital Partners, DFJ Growth, General Catalyst Partners, Draper Fisher Jurvetson, Volition Capital, Triangle Peak Partners, SAP Ventures, Appian Ventures	\$44.0	8
Crocus Technology	IDInvest Partners, Innovation Capital, Sofinnova Ventures, Ventech, NanoDimension	\$45.0	4
Vaultize	Tata Capital Innovations Fund	-	1
Seculert	Sequoia Capital, Norwest Venture Partners	\$10.0	3
Anaqua	Insight Venture Partners	\$100.0	1

# Q3 2013 Security & Risk IPO Activity

Original Filing Date	Company	Offer Size (\$mm)	LTM				Performance		
			Revenue (\$mm)	EBITDA (\$mm)	Revenue Growth	EBITDA Margin	1st Week	1st Month	YTD
10/1/2013 <sup>(1)</sup>	Barracuda Networks	\$100	\$218	\$47	NA	21.4%	NA	NA	NA
8/2/2013 <sup>(2)</sup>	FireEye	\$304	\$115	-\$71	54.7%	NM	105.6%	111.9%	107.7%

(1) Barracuda Networks priced in Q3 2013. Offering Price Range: \$18-21; Number of Shares: 4.14 million

(2) Original filing date. FireEye officially went public 9/20/2013.



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