

# Q2 2014 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 more than 600 completed transactions and offices in Baltimore, Bangalore, Boston, Mumbai, 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

 <b>LOFTWARE</b> HAS BEEN ACQUIRED BY  JULY 2014	 <b>GLOBAL LT</b> HAS RECEIVED A SIGNIFICANT INVESTMENT FROM  JULY 2014	 <b>Metropolitan</b> DIVESTITURE OF KNOWLES ASSISTED LIVING & ADULT DAY SERVICES JULY 2014	 <b>acceler</b> HAS MERGED WITH  JUNE 2014	 <b>LRW TECHNOLOGIES</b> HAS SOLD CERTAIN ASSETS TO  JUNE 2014	 <b>AMX</b> HAS BEEN ACQUIRED BY  JUNE 2014	 <b>vizury</b> HAS RECEIVED GROWTH EQUITY INVESTMENT FROM  JUNE 2014	 <b>KFA</b> COMPLETES SALE OF SELECT BUSINESSES TO Safanad Education Ventures Limited JUNE 2014
 <b>FIREMQN</b> RECEIVED MAJORITY INVESTMENT FROM  JUNE 2014	 <b>eMedia</b> HAS BEEN ACQUIRED BY Reed Elsevier	 <b>LetMobile</b> HAS BEEN ACQUIRED BY  MAY 2014	 <b>uptivity</b> HAS BEEN ACQUIRED BY  MAY 2014	 <b>TOTAL DEFENSE</b> Consumer Business Line HAS MERGED WITH  APRIL 2014	 <b>DSCI</b> HAS RECEIVED AN EQUITY INVESTMENT FROM  MARCH 2014	 <b>TRUBIQUITY</b> HAS BEEN ACQUIRED BY  FEBRUARY 2014	 <b>clarity</b> HAS RECEIVED AN INVESTMENT FROM  FEBRUARY 2014
 <b>Cyberoam</b> HAS BEEN ACQUIRED BY  FEBRUARY 2014	 <b>firststory</b> HAS RECEIVED GROWTH EQUITY INVESTMENT FROM  JANUARY 2014	 <b>BuyerZone</b> HAS BEEN ACQUIRED BY Reed Elsevier	 <b>iJET</b> HAS RECEIVED AN INVESTMENT FROM  DECEMBER 2013	 <b>Catapult Learning</b> HAS ACQUIRED Newton Alliance, LLC DECEMBER 2013	 <b>OCG</b> HAS BEEN ACQUIRED BY  DECEMBER 2013	 <b>SmartWise</b> HAS BEEN ACQUIRED BY  NOVEMBER 2013	 <b>CRESTCOM</b> HAS BEEN ACQUIRED BY  NOVEMBER 2013
 <b>Catapult Systems</b> HAS BEEN ACQUIRED BY  NOVEMBER 2013	 <b>Thinksoft</b> Trust the Experts MAJORITY STAKE ACQUISITION BY  NOVEMBER 2013	 <b>CMO COMPLIANCE</b> HAS RECEIVED AN EQUITY INVESTMENT FROM  OCTOBER 2013	 <b>pivot</b> Data Centres HAS BEEN ACQUIRED BY  OCTOBER 2013	 <b>ARBITRON</b> HAS BEEN ACQUIRED BY  SEPTEMBER 2013	 <b>NATIONWIDE VISION</b> HAS BEEN ACQUIRED BY  SEPTEMBER 2013	 <b>Acurion</b> Predictable Patient Recruitment HAS BEEN ACQUIRED BY  AUGUST 2013	 <b>imm</b> HAS BEEN ACQUIRED BY  AUGUST 2013

# Signal Hill's Security & Risk Practice

 RECEIVED MAJORITY INVESTMENT FROM  JUNE 2014	 HAS BEEN ACQUIRED BY  MAY 2014	 HAS MERGED WITH  APRIL 2014	 HAS BEEN ACQUIRED BY  FEBRUARY 2014	 HAS RECEIVED AN INVESTMENT FROM  DECEMBER 2013	 HAS RECEIVED AN EQUITY INVESTMENT FROM  OCTOBER 2013	 HAS BEEN ACQUIRED BY  AUGUST 2013	 HAS BEEN ACQUIRED BY  OCTOBER 2012	 HAS BEEN ACQUIRED BY  JANUARY 2012
 PRIVATE PLACEMENT  NOVEMBER 2011	 HAS BEEN ACQUIRED BY  SEPTEMBER 2011	 HAS BEEN ACQUIRED BY  MAY 2011	 HAS BEEN ACQUIRED BY  FEBRUARY 2011	 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	 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

# Q2 2014 Security & Risk M&A Overview

The Security & Risk sector showed 32 announced deals in Q2 2014 (including three led by Signal Hill), representing double-digit increases over each of the prior three quarters. Although total announced enterprise value (EV) declined, this is attributable to a lack of “mega” deals and relatively few disclosed valuations this quarter – only eight transactions disclosed deal values. Based on overall LTM metrics, solid public company share price performance and our intelligence on deal activity, we anticipate continuing strong interest and valuations in the Security & Risk sector at least through 2014.

<i>Source: Signal Hill</i>	Q2 2013	Q3 2013 <sup>(1)</sup>	Q4 2013	Q1 2014 <sup>(2)</sup>	Q2 2014
Number of Deals	35	26	25	28	32
<i>% change from prior quarter</i>	-	-25.7%	-3.8%	12.0%	14.3%
Total Announced Enterprise Value (\$M)	\$1,883.0	\$4,104.2	\$876.2	\$3,496.4	\$158.9
<i>% change from prior quarter</i>	-	118.0%	-78.7%	299.0%	-95.5%
Median Announced Deal Size (\$M)	\$30.0	\$25.0	\$32.0	\$141.3	\$13.3
<i>% change from prior quarter</i>	-	-16.7%	28.0%	341.6%	-90.6%
Median EV/TTM Revenue Multiple	3.2x	10.7x	5.7x	9.7x	3.8x
<i>% change from prior quarter</i>	-	234.6%	-46.7%	69.7%	-60.7%

<sup>(1)</sup> Includes \$2,700.0M Sourcefire / Cisco transaction

<sup>(2)</sup> Includes \$1,540.0M AirWatch / VMware transaction and \$989.4M Mandiant / FireEye transaction

# Notable Q2 2014 Security & Risk M&A Transactions

## Signal Hill Security & Risk Transactions, Q2 2014

F I R E M O N



**FireMon Received  
Majority Investment  
from Insight Venture  
Partners**

**Signal Hill advised FireMon.** FireMon, a top provider of proactive security intelligence solutions, received a majority investment from Insight Venture Partners (“Insight”), a leading global private equity and venture capital firm. The investment from Insight will enable FireMon to accelerate its plans to solidify Network Security Intelligence as a cornerstone of the global security market, further establishing FireMon as a market leader in the space.

INSIGHT VENTURE PARTNERS

LetMobile



**LetMobile Acquired by  
LANDesk Software**

**Signal Hill advised LetMobile.** LetMobile, a leading provider of advanced gateway-based security solutions for enterprise mobility, has been acquired by LANDesk Software (“LANDesk”), the leading provider of systems lifecycle management, endpoint security and IT service management solutions for desktops, servers and mobile devices across the enterprise. The acquisition will allow LANDesk to move aggressively to assist enterprise IT and security teams to address modern user work styles through security extension from mobile devices to content and applications.

LANDesk  
SOFTWARE

 **TOTAL  
DEFENSE™**  
Beyond Protection  
Consumer Cybersecurity  
Business

**Total Defense’s  
Consumer Security  
Business Merged with  
Untangle**

**Signal Hill advised Total Defense.** Total Defense, a leading Internet security company, merged its consumer business line with Untangle, a leading network software and appliance company. In conjunction with the transaction, Total Defense’s Commercial Solutions Division has been rebranded as iSheriff; iSheriff offers security-as-a-service solutions for Managed Service Providers (MSPs) and small-to-medium enterprises (SMEs).

  
untangle®

# Notable Q2 2014 Security & Risk M&A Transactions (cont'd)

## Select Security & Risk Transactions, Q2 2014



**nPulse Technologies  
to be Acquired by  
FireEye**  
EV: \$60.0M  
Revenue Multiple: 8.6x

nPulse Technologies, the performance leader in network forensics, has entered into a definitive agreement to be acquired by FireEye (Nasdaq: FEYE), the leader in stopping today's advanced cyber attacks. The combination will deliver the industry's only Enterprise Forensics solution for visibility into the entire attack lifecycle – from network intrusion to endpoint exploitation and lateral movement.



**NetCitadel Acquired by  
Proofpoint**  
EV: \$24.0

NetCitadel, a pioneer in the field of automated security incident response, has been acquired by Proofpoint (Nasdaq: PFPT), a leading security-as-a-service provider. The acquisition is expected to extend the reach and capabilities of Proofpoint's existing advanced threat solutions, adding additional threat verification and containment capabilities via an open platform that unifies products from Proofpoint and other vendors.



**ThreatGRID Acquired  
by Cisco Systems**

ThreatGRID, a New York-based company that offers dynamic malware analysis and threat intelligence technology, has been acquired by Cisco Systems (Nasdaq: CSCO). ThreatGRID complements Cisco's Advanced Malware Protection (AMP) portfolio and extends protection to customers with stringent in-house data retention requirements.



**NitroDesk Acquired by  
Symantec**

NitroDesk, provider of TouchDown, a market-leading secure email mobile application, has been acquired by Symantec (Nasdaq: SYMC). The acquisition validates Symantec's investment in the Mobile market and gives the company complete control over the user experience as well as a streamlined schedule for integrations into Symantec App Center.



# Q2 2014 Security & Risk M&A Transactions

Date Announced	Seller	Buyer	Enterprise	Revenues	Enterprise
			Value		Value
18-Jun-14	ArmstrongAdams	Accumuli	-	-	NA
18-Jun-14	CryptoSeal	CloudFlare Inc.	-	-	NA
12-Jun-14	Innovade Ltd. / Assets	CloudLock	-	-	NA
<b>11-Jun-14</b>	<b>FireMon, LLC [fka Secure Passage]</b>	<b>Insight Venture Partners</b>	-	-	<b>NA</b>
10-Jun-14	MobileSpan	DropBox	-	-	NA
3-Jun-14	Gazzang, Inc.	Cloudera	-	-	NA
28-May-14	Nitrodesk, Inc.	Symantec	-	\$4.0	NA
27-May-14	Risk IDS, Ltd.	VASCO Data Security International, Inc.	-	-	NA
21-May-14	ThreatGRID	Cisco Systems, Inc.	-	-	NA
<b>21-May-14</b>	<b>LetMobile</b>	<b>LANDesk Software</b>	-	-	<b>NA</b>
20-May-14	NetCitadel	Proofpoint	\$24.0	-	NA
15-May-14	XA Secure	Hortonworks Inc.	-	-	NA
14-May-14	Fixmo, Inc. / U.S. assets & Sentinel Integrity Services assets	Good Technology, Inc.	-	-	NA
09-May-14	Wurldtech	General Electric Company	-	-	NA
6-May-14	nPulse Technologies	FireEye Inc.	\$60.0	\$7.0	8.6x
02-May-14	FortConsult A/S	NCC Group	\$3.4	-	NA

**Bold** denotes Signal Hill advised transaction



# Q2 2014 Security & Risk M&A Transactions (cont'd)

Date Announced	Seller	Buyer	Enterprise	Revenues	Enterprise
			Value		Value
29-Apr-14	3vis Technologies	Scalar Decisions Inc.	-	-	
29-Apr-14	XYPRO Technology Corp	MBO / XYPRO Technology Corp	-	-	NA
28-Apr-14	Fortel Analytics [fka TerraMedica]	Truven Health Analytic	-	-	NA
24-Apr-14	DecTech Solutions Pty Ltd	GB Group PLC	\$34.5	\$9.6	3.6x
24-Apr-14	Urgentis Digital Crisis Solutions	Deloitte LLP	-	-	NA
23-Apr-14	docTrackr Inc.	IntraLinks Holdings Inc	\$10.0	-	NA
21-Apr-14	DigitalPersona, Inc.	Cross Match Technologies Inc.	-	-	NA
<b>21-Apr-14</b>	<b>Total Defense (Consumer Security Business)</b>	<b>Untangle, Inc.</b>	-	-	<b>NA</b>
18-Apr-14	Secure Mission Solutions, Inc. / Assets	Parsons Corporation	-	-	NA
14-Apr-14	Galaxy Tech	The Herjavec Group	-	-	NA
8-Apr-14	Global DataGuard, Inc.	Masergy [ABRY Partners]	-	-	NA
8-Apr-14	SE46 AB	Technology Nexus AB	\$0.4	\$0.8	0.5x
7-Apr-14	Metaforic	INSIDE Secure	\$11.6	-	NA
7-Apr-14	Cryptzone AB	Medina Capital	\$15.0	\$3.7	4.0x
3-Apr-14	Govplace (SLED division)	Vology, Inc.	-	-	NA
1-Apr-14	LexisNexis Risk Solutions	Tracesmart Ltd.	-	-	NA

**Bold** denotes Signal Hill advised transaction

# Security & Risk Public Companies – Q2 2014 Trading Statistics

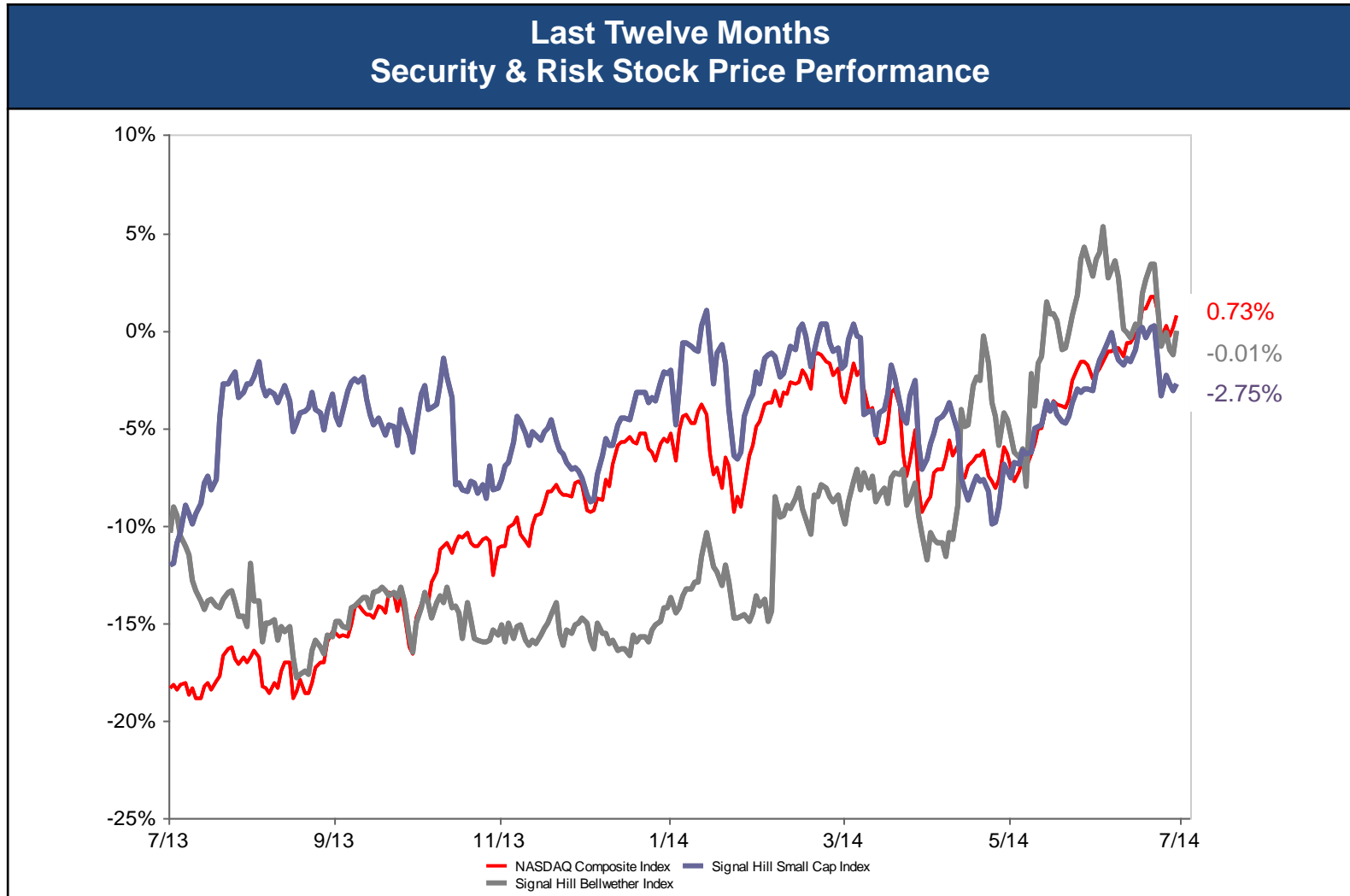
		(\$ in millions, except per share amounts)		% Dec./Inc.		Fully Diluted		Fully Diluted			Enterprise Value /					
Market	6/30/2014	from LTM		Revenue		Revenue			Enterprise Value /			EBITDA				
Segment	Company	Price	High	Low	Eq. Val.	LTM	CY'13E	CY '14E	Net Cash	Ent. Val.	LTM	CY'13E	CY'14E	LTM	CY'13E	CY'14E
<b>Security Bellwether</b>																
Content	Symantec	\$22.90	(15%)	28%	\$15,840	\$6,676	\$6,748	\$6,664	\$1,989	\$13,851	2.1x	2.1x	2.1x	7.1x	6.8x	6.5x
SVM	Check Point	\$67.03	(4%)	37%	\$12,789	\$1,414	\$1,391	\$1,473	\$1,207	\$11,581	8.2x	8.2x	7.9x	14.9x	14.1x	13.7x
IAM	Gemalto	\$103.63	(17%)	11%	\$8,941	\$3,289	\$3,332	\$3,511	\$608	\$8,332	2.5x	2.5x	2.4x	16.1x	14.4x	12.5x
SVM	Palo Alto	\$83.85	(2%)	108%	\$6,463	\$532	\$477	\$675	\$368	\$6,095	11.4x	11.4x	9.0x	NM	NM	NM
SVM	FireEye	\$40.55	(58%)	59%	\$5,883	\$207	\$161	\$412	\$584	\$5,299	25.6x	25.6x	12.9x	NM	NM	NM
SVM	Fortinet	\$25.13	0%	54%	\$4,098	\$648	\$604	\$714	\$561	\$3,537	5.5x	5.5x	5.0x	41.5x	27.6x	25.2x
Content	Trend Micro	\$32.93	(20%)	10%	\$4,412	\$1,069	\$1,024	\$1,113	\$990	\$3,422	3.1x	3.1x	3.1x	9.2x	10.4x	9.1x
SVM	Barracuda	\$31.02	(30%)	67%	\$1,595	\$234	\$234	\$260	\$131	\$1,464	6.3x	6.3x	5.6x	NM	NM	23.3x
Content	Proofpoint	\$37.46	(18%)	62%	\$1,386	\$150	\$133	\$179	\$100	\$1,285	8.6x	8.6x	7.2x	NM	NM	NM
Content	AVG Technologies	\$20.13	(24%)	33%	\$1,061	\$396	\$400	\$385	\$31	\$1,030	2.6x	2.6x	2.7x	7.4x	7.2x	7.2x
SVM	Qualys	\$25.67	(14%)	71%	\$839	\$113	\$108	\$130	\$105	\$734	6.5x	6.5x	5.6x	NM	40.5x	33.1x
SVM	Imperva	\$26.18	(61%)	42%	\$689	\$141	\$137	\$154	\$106	\$583	4.1x	4.1x	3.8x	NM	NM	NM
Content	Ahnlab	\$41.86	(45%)	6%	\$363	\$130	\$130	NM	\$70	\$293	2.2x	2.2x	NM	23.2x	23.2x	NM
<b>Median</b>											<b>5.5x</b>	<b>5.5x</b>	<b>5.3x</b>	<b>14.9x</b>	<b>14.3x</b>	<b>13.1x</b>
<b>Mean</b>											<b>6.8x</b>	<b>6.8x</b>	<b>5.6x</b>	<b>17.1x</b>	<b>18.0x</b>	<b>16.3x</b>
<b>Security Small Cap</b>																
Content	F-Secure	\$3.52	(10%)	53%	\$548	\$215	\$213	\$217	\$73	\$475	2.2x	2.2x	2.2x	11.5x	9.8x	10.0x
IAM	Vasco	\$11.60	(12%)	79%	\$455	\$159	\$152	\$170	\$109	\$346	2.2x	2.2x	2.0x	20.0x	21.1x	11.9x
SVM	Absolute Software	\$6.47	(15%)	18%	\$283	\$90	\$85	\$97	\$67	\$216	2.3x	2.3x	2.2x	10.4x	17.5x	13.7x
Content	Zix	\$3.42	(32%)	10%	\$203	\$49	\$48	\$53	\$22	\$180	3.7x	3.7x	3.4x	15.2x	13.3x	15.5x
Content	CommTouch	\$2.88	(30%)	43%	\$79	\$32	\$32	\$35	NM	\$81	2.5x	2.5x	2.3x	NM	41.8x	NM
Content	Wave Systems	\$1.41	(39%)	104%	\$65	\$24	\$24	\$23	\$4	\$61	2.5x	2.5x	2.6x	NM	NM	NM
IAM	Bio-key	\$0.25	(39%)	104%	\$28	\$3	\$3	NM	\$1	\$28	10.9x	10.9x	NM	NM	NM	NM
SVM	Intrusion	\$1.84	(26%)	223%	\$23	\$7	\$7	NM	NM	\$26	3.5x	3.5x	NM	44.7x	44.7x	NM
<b>Median</b>											<b>2.5x</b>	<b>2.5x</b>	<b>2.3x</b>	<b>15.2x</b>	<b>19.3x</b>	<b>12.8x</b>
<b>Mean</b>											<b>3.7x</b>	<b>3.7x</b>	<b>2.5x</b>	<b>20.4x</b>	<b>24.7x</b>	<b>12.8x</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 Q2 2014 Security & Risk Financing Activity

Date Announced	Company	Investor(s)	Deal Value	Round Number
25-Jun-14	BlockScore	Y Combinator, Noost VC, New Atlantic Ventures, Lightspeed Venture Partners, Khosla Ventures, Battery Ventures	\$2.0	1
23-Jun-14	Skyhigh Networks	Greylock Partners, Sequoia	\$40.0	3
19-Jun-14	ForgeRock	Meritech Capital Partners, Accel Partners, Foundation Capital	\$30.0	3
18-Jun-14	Prevalent Networks	Fulcrum Equity Partners	\$4.0	1
17-Jun-14	Virtru	Bessemer Venture Partners	\$6.0	1
16-Jun-14	BitGo	Radar Partners, Founders Fund, Barry Silbert's Bitcoin Opportunity Corp., Liberty City Ventures, Crypto Currency Partners, Ashton Kutcher's A-Grade Investments.	\$12.0	1
15-Jun-14	CounterTack	Siemens Venture Capital, OnPoint Technologies, Fairhaven Capital Partners, Goldman Sachs	\$5.0	2
11-Jun-14	SourceClear	Mary Cirillo, Amos Michelson, Frank J. Marshall, Justin Somaini	\$1.5	1
10-Jun-14	Exabeam	Shlomo Kramer, Aspect Ventures, Norwest Venture Partners	\$10.0	1
09-Jun-14	Okta	Altimeter Capital, Janus Capital Group, Khosla Ventures, Greylock Partners, Andreessen Horowitz, Sequoia Capital	\$75.0	5
04-Jun-14	CyberX	GlenRock Israel, Gigi Levi-Weiss, Swarth Group, Gliilot Capital Partners	\$2.0	1
29-May-14	HackerOne	Benchmark	\$9.0	1
15-May-14	NetSkope	The Social+Capital Partnership, Lightspeed Venture Partners, Accel Partners	\$35.0	3
14-May-14	OpenDNS	Northgate Capital, Mohr Davidow Ventures, Lumia Capital, Evolution Equity Partners, Cisco, Glynn Capital Management, Sutter Hill Ventures, Sequoia Capital, Greylock Partners	\$35.0	3
01-May-14	Tresorit	Marton Szoke, Andreas Kemi, Euroventures Capital Advisory	\$3.0	1
24-Apr-14	Synack	Derek Smith, Allegis Capital, Greylock Partners, Google Ventures, Kleiner Perkins Caufield & Byers	\$7.5	1
22-Apr-14	Damballa	Adam Street Partners, Imlay Investments, Noro-Moseley Partners, Paladin Capital Group, Sigma Partners, Palomar Ventures, InterWest Partners, GRA Venture Fund	\$13.0	6
02-Apr-14	Sookasa	Accel Partners, First Round Capital, Andreessen Horowitz, SV Angel	-	2



Baltimore | Bangalore | Boston | Mumbai | Nashville | New York | Reston | San Francisco