

# Q4 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 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

 HAS RECEIVED GROWTH EQUITY INVESTMENT FROM  IDG Ventures <b>SAIF Partners</b> JANUARY 2014	 a portfolio company of Reed Elsevier HAS BEEN ACQUIRED BY  JANUARY 2014	 HAS RECEIVED AN INVESTMENT FROM  DECEMBER 2013	 HAS ACQUIRED Newton Alliance, LLC DECEMBER 2013	 HAS BEEN ACQUIRED BY  DECEMBER 2013	 HAS BEEN ACQUIRED BY  NOVEMBER 2013	 HAS BEEN ACQUIRED BY  NOVEMBER 2013	 HAS BEEN ACQUIRED BY  NOVEMBER 2013
 Trust the Experts MAJORITY STAKE ACQUISITION BY  NOVEMBER 2013	 HAS RECEIVED AN EQUITY INVESTMENT FROM  OCTOBER 2013	 HAS BEEN ACQUIRED BY  OCTOBER 2013	 HAS BEEN ACQUIRED BY  SEPTEMBER 2013	 HAS BEEN ACQUIRED BY  SEPTEMBER 2013	 Predictable Patient Recruitment HAS BEEN ACQUIRED BY  AUGUST 2013	 HAS BEEN ACQUIRED BY  AUGUST 2013	 Relevant   Intelligent   Secure HAS BEEN ACQUIRED BY  AUGUST 2013
 HAS BEEN ACQUIRED BY  AUGUST 2013	 SOFTWARE EMPLOYED MINORITY RECAPITALIZATION BY  JULY 2013	 A Division of Inspire Capital HAVE BEEN ACQUIRED BY  JULY 2013	 HAS BEEN ACQUIRED BY  POWERING YOUR BUSINESS JUNE 2013	 HAS RECEIVED EQUITY FUNDING FROM  JUNE 2013	 HAS BEEN ACQUIRED BY  Enterprise Group JUNE 2013	 THE IT DESIGN COMPANY CERTAIN ASSETS HAVE BEEN ACQUIRED BY  MAY 2013	 HAS BEEN ACQUIRED BY  APRIL 2013
 HAS RECEIVED EQUITY FUNDING FROM  MARCH 2013	 HAS BEEN ACQUIRED BY  MARCH 2013	 HAS RECEIVED GROWTH EQUITY INVESTMENT FROM  MARCH 2013	 EXPERIENCE E-COMMERCE 2.0 HAS BEEN ACQUIRED BY  MARCH 2013	 HAS RECEIVED GROWTH EQUITY INVESTMENT FROM  FEBRUARY 2013	 criterion HAS BEEN ACQUIRED BY  FEBRUARY 2013	 HAS BEEN ACQUIRED BY  JANUARY 2013	 HAS BEEN ACQUIRED BY  JANUARY 2013

# Signal Hill's Security & Risk Practice

 <p>HAS RECEIVED AN INVESTMENT FROM</p>  <p>DECEMBER 2013</p>	 <p>HAS RECEIVED AN EQUITY INVESTMENT FROM</p>  <p>OCTOBER 2013</p>	 <p>HAS BEEN ACQUIRED BY</p>  <p>AUGUST 2013</p>	 <p>HAS BEEN ACQUIRED BY</p>  <p>OCTOBER 2012</p>	 <p>HAS BEEN ACQUIRED BY</p>  <p>JANUARY 2012</p>	 <p>PRIVATE PLACEMENT</p>  <p>NOVEMBER 2011</p>	 <p>HAS BEEN ACQUIRED BY</p>  <p>SEPTEMBER 2011</p>	 <p>HAS BEEN ACQUIRED BY</p>  <p>MAY 2011</p>	 <p>HAS BEEN ACQUIRED BY</p>  <p>FEBRUARY 2011</p>
 <p>HAS BEEN ACQUIRED BY</p> <p>Large Public Security Vendor</p> <p>FEBRUARY 2011</p>	 <p>HAS BEEN ACQUIRED BY</p>  <p>JANUARY 2011</p>	 <p>HAS BEEN ACQUIRED BY</p>  <p>OCTOBER 2010</p>	 <p>HAS MERGED WITH</p>  <p>SEPTEMBER 2010</p>	 <p>HAS BEEN ACQUIRED BY</p>  <p>MAY 2010</p>	 <p>HAS BEEN ACQUIRED BY</p>  <p>FEBRUARY 2010</p>	 <p>HAS BEEN ACQUIRED BY</p>  <p>FEBRUARY 2010</p>	 <p>HAS BEEN ACQUIRED BY</p>  <p>JULY 2009</p>	 <p>ACQUIRED THE ASSETS OF</p>  <p>MARCH 2009</p>
 <p>HAS BEEN ACQUIRED BY</p>  <p>JANUARY 2009</p>	 <p>HAS MERGED WITH</p>  <p>NOVEMBER 2008</p>	 <p>HAS BEEN ACQUIRED BY</p>  <p>SEPTEMBER 2008</p>	 <p>HAS BEEN ACQUIRED BY</p>  <p>AUGUST 2008</p>	 <p>HAS BEEN ACQUIRED BY</p>  <p>JUNE 2008</p>	 <p>HAS ACQUIRED</p>  <p>JANUARY 2008</p>	 <p>HAS BEEN ACQUIRED BY</p>  <p>DECEMBER 2007</p>	 <p>HAS BEEN ACQUIRED BY</p>  <p>APRIL 2007</p>	 <p>HAS MERGED WITH</p>  <p>AUGUST 2007</p>
 <p>HAS BEEN ACQUIRED BY</p>  <p>SEPTEMBER 2007</p>	 <p>HAS RECEIVED STRATEGIC INVESTMENT FROM</p>  <p>JULY 2007</p>	 <p>HAS BEEN ACQUIRED BY</p>  <p>DECEMBER 2006</p>	 <p>HAS ACQUIRED</p>  <p>DECEMBER 2006</p>	 <p>HAS BEEN ACQUIRED BY</p>  <p>AUGUST 2006</p>	 <p>HAS ACQUIRED</p>  <p>JULY 2006</p>	 <p>HAS ACQUIRED</p>  <p>FEBRUARY 2006</p>	 <p>HAS BEEN ACQUIRED BY</p>  <p>AUGUST 2005</p>	 <p>HAS BEEN ACQUIRED BY</p>  <p>AUGUST 2004</p>

# Q4 2013 Security & Risk M&A Overview

The Security & Risk sector showed 25 announced deals in Q4 2013 (including two consummated by Signal Hill) versus 26 in Q3 2013. Total announced Enterprise Value (EV) declined in Q4 2013 from Q3 2013, however, this was due to several large Q3 2013 deals, notably Sourcefire / Cisco, one of the largest security transactions to date. Q4 2013 EV showed a double-digit increase over the prior-year Q4 2012 quarter. Median announced deal size of \$32M in Q4 2013 is roughly in line with the past two quarters, showing that interest in early-stage opportunities among buyers remains strong. The Q4 2013 median EV/TTM Revenue multiple of 5.7x is greater than historical averages and much higher than the last four quarters, other than Q3 2013. Our bottom-line view is that the security M&A and venture market (data on both are provided in pages ahead) will remain robust through 2014. Also, we expect recently IPO'ed security publics to help drive further strength in the next year.

<i>Source: Signal Hill</i>	Q4 2012	Q1 2013	Q2 2013	Q3 2013 <sup>(1)</sup>	Q4 2013
Number of Deals	40	21	35	26	25
<i>% change from prior quarter</i>	-	-47.5%	66.7%	-25.7%	-3.8%
Total Announced Enterprise Value (\$M)	\$739.9	\$335.0	\$1,883.0	\$4,104.2	\$876.2
<i>% change from prior quarter</i>	-	-54.7%	462.1%	118.0%	-78.7%
Median Announced Deal Size (\$M)	\$40.00	\$125.0	\$30.0	\$25.0	\$32.0
<i>% change from prior quarter</i>	-	212.5%	-76.0%	-16.7%	28.0%
Median EV/TTM Revenue Multiple	1.3x	3.3x	3.2x	10.7x	5.7x
<i>% change from prior quarter</i>	-	153.8%	-3.0%	234.6%	-46.7%

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

# Notable Q4 2013 Security & Risk M&A Transactions

## Select Security & Risk Transactions, Q4 2013



**iJET International  
Received an  
Investment from LLR  
Partners**

**Signal Hill advised iJET International.** iJET International (“iJET”), a leading operational risk management and intelligence platform, has received an investment from private equity firm LLR Partners. The financing will be used to grow iJET’s customer base, expand channel partner relationships, invest in enhanced technology and pursue strategic acquisitions.



**CMO Compliance  
Acquired by Inflexion**

**Signal Hill advised CMO Compliance.** CMO Compliance, a leader in enterprise health, safety, environment (HSE) and governance, risk, compliance (GRC) software solutions, completed a management buyout backed by UK-based private equity investor Inflexion.



**Prolexic Technologies  
to be Acquired by  
Akamai Technologies**  
EV: \$370.0M  
Revenue Multiple: 7.4x

Prolexic Technologies, a provider of cloud-based security solutions for protecting data centers and enterprise IP applications from distributed denial of service (DDoS) attacks, has entered into a definitive agreement to be acquired by Akamai Technologies (NASDAQ: AKAM), a leading provider of solutions for defending web sites and web applications through leverage of its global platform, protecting against even the largest and most sophisticated DDoS and application-layer attacks.









**41<sup>st</sup> Parameter  
Acquired by Experian  
Group**  
EV: \$310.0M  
Revenue Multiple: 14.1x

41<sup>st</sup> Parameter, the market leader in device identification technology and web fraud detection, has been acquired by Experian Group (“Experian”), the leading global information services company. The acquisition will allow Experian to incorporate web fraud detection into its solutions, enabling the company’s clients to make real-time security decisions that improve business profits.



# Notable Q4 2013 Security & Risk M&A Transactions (cont'd)

## Select Security & Risk Transactions, Q4 2013

	<p><b>Context Information Security Acquired by Babcock International Group</b> EV: \$52.0M</p>	<p>Context Information Security, a provider of specialty technical consultancy services in the cyber security market, has been acquired by Babcock International Group (“Babcock”), the UK’s leading engineering support services company. The acquisition augments Babcock’s capabilities to provide support and assurance in the delivery of resilient solutions for its customers’ issues.</p>	
	<p><b>Entrust Acquired by Datacard Group</b></p>	<p>Entrust, a leader in securing digital identities and information, has been acquired by Datacard Group, the industry’s best-selling brand of secure identification and card personalization solutions. The acquisition will allow Datacard Group to provide its customers with innovations to secure their identities to enable trust, while reducing complexity in deployment, management and use. Entrust was acquired from private equity firm Thoma Bravo.</p>	
	<p><b>HighCloud Security Acquired by HyTrust</b></p>	<p>HighCloud Security, a provider of cloud encryption and key management software, has been acquired by HyTrust, a provider of policy management and access control solutions for virtual and cloud environments. The combination allows “cloaked” private, hybrid and public clouds to help address the three primary security concerns in cloud environments: (1) broad level access available to users with malicious intent, (2) breaches and data center disasters caused through human error or misconfiguration, and (3) challenges involving maintaining the security and privacy of data.</p>	

# Q4 2013 Security & Risk M&A Transactions

Date Announced	Seller	Buyer	Enterprise	Revenues	Enterprise
			Value		Revenue
31-Dec-13	VideolQ, Inc.	Avigilon Corporation	\$32.0	-	NA
<b>19-Dec-13</b>	<b>iJET International, Inc.</b>	<b>LLR Partners, Inc.</b>	-	-	<b>NA</b>
18-Dec-13	Norman Shark	Blue Coat Systems, Inc.	-	-	NA
18-Dec-13	iWebGate Technology Limited	My ATM Holdings Ltd.	-	-	NA
17-Dec-13	Context Information Security	Babcock International Group PLC	\$52.1	-	NA
17-Dec-13	Entrust, Inc.	Datacard Group	-	-	NA
16-Dec-13	Sandboxie Holdings LLC	Invincea	-	-	NA
5-Dec-13	eSoft, Inc. / Assets	Untangle, Inc.	-	-	NA
4-Dec-13	Critical Path, Inc.	Openwave Messaging, Inc.	-	-	NA
4-Dec-13	Bellringer Communications / Certain Assets	Millennium HealthCare Solutions	\$0.1	-	NA
2-Dec-13	Alaric Systems Limited	NCR Corporation	\$84.0	\$14.9	5.7x
2-Dec-13	Prolexic Technologies, Inc.	Akamai Technologies	\$370.0	\$50.0	7.4x
20-Nov-13	Legacylocker, Inc.	PasswordBox	-	-	NA
11-Nov-13	Application Security, Inc.	Trustwave	\$25.0	\$22.0	1.1x
07-Nov-13	HighCloud Security	HyTrust	-	-	NA
31-Oct-13	EPA Cloud	j2 Global, Inc.	-	-	NA
<b>24-Oct-13</b>	<b>CMO COMPLIANCE</b>	<b>Inflexion Private Equity Partners</b>	-	-	<b>NA</b>
15-Oct-13	Utimaco Safeware AG	PINOVA Capital / BIP Investment Partners	-	-	NA
14-Oct-13	CertiPath	SHiRT, LLC	-	-	NA
10-Oct-13	Broadweb Co. LTD	Trend Micro Incorporated	-	-	NA
8-Oct-13	iolo technologies LLC	Phoenix Technologies, Ltd.	-	-	NA
3-Oct-13	App Ventures LTD / Assets	Cloud Security Corporation	\$2.0	-	NA
2-Oct-13	InkSure Technologies	Spectra Systems Corp	\$1.0	\$1.1	0.9x
1-Oct-13	41st Parameter, Inc.	Experian Group Ltd	\$310.0	\$22.0	14.1x
1-Oct-13	Cymphonix Corporation	Untangle, Inc.	-	-	NA

**Bold** denotes Signal Hill advised transaction



# Security & Risk Public Companies – Q4 2013 Trading Statistics

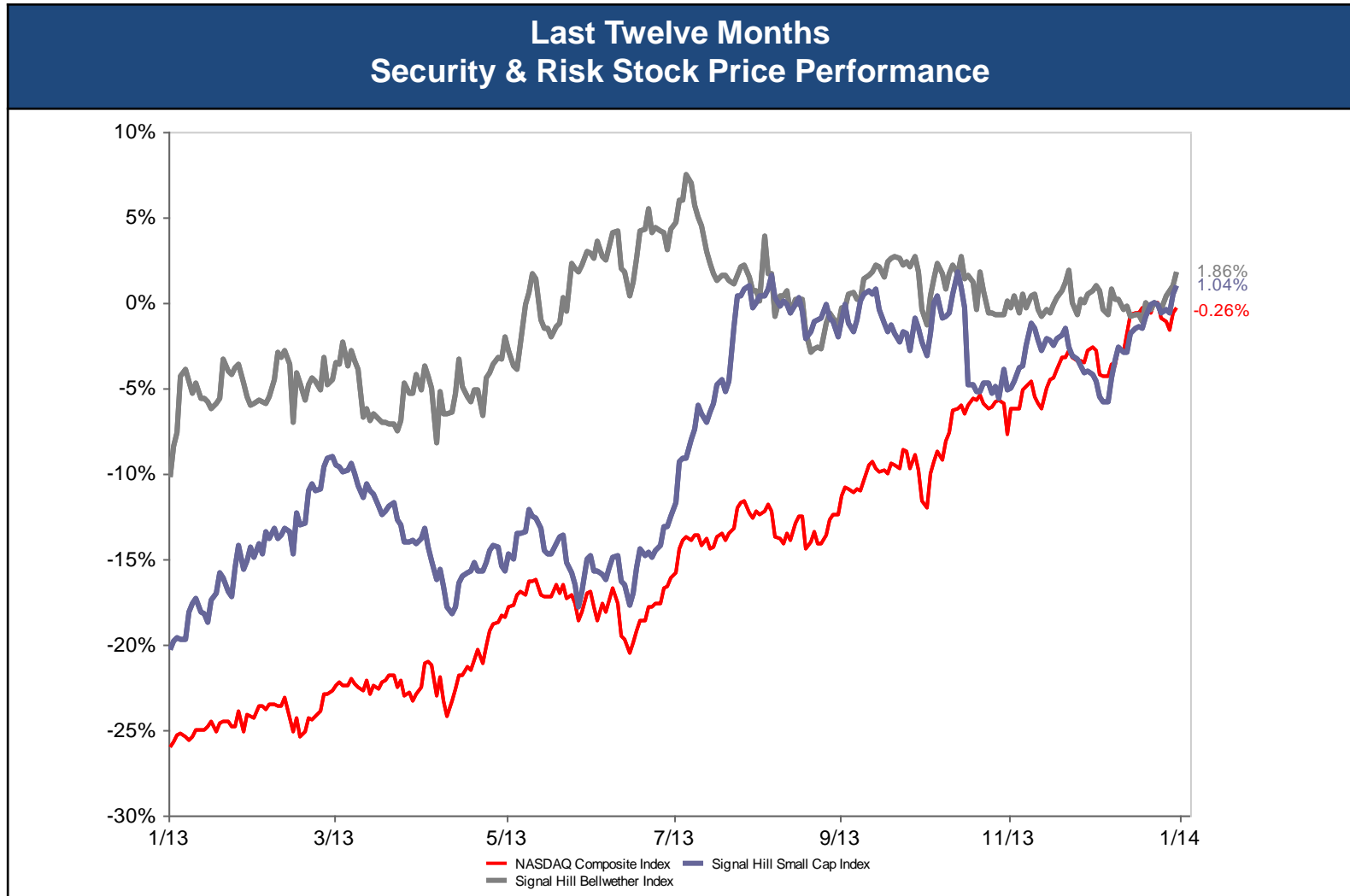
Market Segment	Company	Price 12/31/2013	% Dec./Inc. from LTM		Fully Diluted Eq. Val.	Revenue				Fully Diluted			Enterprise Value / EBITDA			
			High	Low		LTM	CY '13E	CY '14E	Net Cash	Ent. Val.	LTM	CY '13E	CY '14E	LTM	CY '13E	CY '14E
<b>Security Bellwether</b>																
Content	Symantec Corp.	\$23.58	(13.0%)	23.5%	\$16,412	\$6,885	\$6,748	\$6,716	\$1,738	\$14,674	2.1x	2.2x	2.2x	7.7x	7.2x	6.7x
SVM	Check Point Software Technologies Ltd.	\$64.50	(0.7%)	45.2%	\$12,670	\$1,376	\$1,390	\$1,472	\$1,260	\$11,409	8.3x	8.2x	7.8x	14.8x	13.9x	13.1x
IAM	Gemalto N.V.	\$110.18	(10.3%)	40.0%	\$9,489	\$3,067	\$3,333	\$3,694	\$374	\$9,115	2.8x	2.7x	2.5x	18.7x	15.7x	13.3x
SVM	FireEye, Inc.	\$43.61	(2.9%)	31.0%	\$5,269	\$136	\$158	\$249	\$308	\$4,961	36.5x	31.5x	19.9x	NM	NM	NM
SVM	Palo Alto Networks, Inc.	\$57.47	(7.6%)	47.1%	\$4,166	\$438	\$477	\$634	\$437	\$3,729	8.5x	7.8x	5.9x	NM	80.4x	44.8x
Content	Trend Micro Inc.	\$35.00	(12.0%)	50.9%	\$4,700	\$1,062	\$1,024	\$1,061	\$1,194	\$3,505	3.5x	3.4x	3.3x	9.8x	10.7x	10.2x
SVM	Fortinet Inc.	\$19.13	(24.5%)	17.4%	\$3,127	\$589	\$603	\$685	\$513	\$2,614	4.4x	4.3x	3.8x	27.1x	20.4x	17.1x
SVM	Barracuda Networks Inc.	\$39.68	(0.2%)	NA	\$1,985	\$218	NA	\$247	\$28	\$1,957	9.0x	NA	7.9x	NM	NM	276.2x
Content	Proofpoint, Inc.	\$33.17	(2.4%)	167.3%	\$1,191	\$126	\$133	\$165	\$69	\$1,122	8.9x	8.5x	6.8x	NM	NM	NM
SVM	Imperva Inc.	\$48.13	(8.5%)	53.4%	\$1,201	\$127	\$137	\$172	\$109	\$1,093	8.6x	8.0x	6.4x	NM	NM	154.8x
Content	AVG Technologies N.V.	\$17.21	(35.2%)	42.2%	\$937	\$400	\$400	\$394	\$16	\$921	2.3x	2.3x	2.3x	7.0x	6.5x	7.0x
SVM	Qualys, Inc.	\$23.11	(7.2%)	127.7%	\$745	\$104	\$108	\$128	\$100	\$646	6.2x	6.0x	5.0x	50.8x	35.5x	28.0x
<b>Median</b>											<b>7.3x</b>	<b>6.0x</b>	<b>5.5x</b>	<b>14.8x</b>	<b>14.8x</b>	<b>15.2x</b>
<b>Mean</b>											<b>8.4x</b>	<b>7.7x</b>	<b>6.1x</b>	<b>19.4x</b>	<b>23.8x</b>	<b>57.1x</b>
<b>Security Small Cap</b>																
Content	F-Secure Oyj	\$2.58	(13.0%)	20.6%	\$400	\$210	\$213	\$219	\$54	\$346	1.6x	1.6x	1.6x	7.9x	7.4x	7.5x
Content	Zix Corp.	\$4.56	(9.3%)	60.6%	\$285	\$48	\$48	\$53	\$33	\$252	5.3x	5.2x	4.7x	24.0x	18.5x	14.6x
SVM	Absolute Software Corp.	\$6.52	(14.4%)	41.4%	\$280	\$85	\$84	\$93	\$48	\$232	2.8x	2.8x	2.5x	13.4x	18.3x	15.2x
IAM	Vasco Data Security International Inc.	\$7.73	(14.6%)	11.4%	\$299	\$151	\$152	\$161	\$92	\$207	1.4x	1.4x	1.3x	13.3x	12.6x	8.1x
Content	CommTouch Software Ltd.	\$3.11	(22.1%)	54.0%	\$82	\$31	\$32	\$38	\$1	\$81	2.6x	2.5x	2.1x	NM	NM	NM
Content	Wave Systems Corp. CI A	\$0.91	(78.5%)	10.8%	\$31	\$26	\$28	\$31	\$1	\$30	1.2x	1.1x	1.0x	NM	NM	NM
SVM	Intrusion Inc.	\$1.32	(20.0%)	1545.9%	\$16	\$7	NA	NA	NM	\$19	2.6x	NA	NA	34.4x	NM	NM
IAM	Bio-key International Inc.	\$0.16	(60.5%)	170.0%	\$19	\$3	NA	NA	NM	\$19	6.1x	NA	NA	NM	NM	NM
<b>Median</b>											<b>2.6x</b>	<b>2.1x</b>	<b>1.9x</b>	<b>13.4x</b>	<b>15.5x</b>	<b>11.4x</b>
<b>Mean</b>											<b>3.0x</b>	<b>2.4x</b>	<b>2.2x</b>	<b>18.6x</b>	<b>14.2x</b>	<b>11.3x</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 Q4 2013 Security & Risk Financing Activity

Date Announced	Company	Investor(s)	Deal Value	Round Number
20-Dec-13	Zimperium	Sierra Ventures	\$8.0	2
16-Dec-13	Invincea	New Atlantic Ventures, Grotech Ventures, Aeris Capital, Harbert Venture Partners, Dell Corporate Ventures	\$16.0	3
12-Dec-13	Mocana Corp.	Trident Capital, Shasta Ventures, Southern Cross Venture Partners, GE Ventures	\$15.0	-
18-Nov-13	Psafe	Qihoo	\$30.0	3
18-Nov-13	Clutch Mobile	Bessemer Venture Partners, Sequoia Capital	\$5.0	1
12-Nov-13	Elliptic Technologies	BDC Venture Capital	\$4.0	1
11-Nov-13	Checkmarx	Undisclosed	\$8.0	3
5-Nov-14	Digital Footprints	Bessemer Venture Partners	\$8.0	1
23-Oct-13	Bromium	Meritech Capital Partners, Andreessen Horowitz, Ignition Partners, Highland Capital Partners, Intel Capital	\$40.0	3
22-Oct-13	ZenGuard	Project A Ventures, David Khalil Philipp Maier, Robert Kreibohm	-	1
21-Oct-13	sqrrl	Altas Venture, Matrix Partners	\$5.2	1
17-Oct-13	Anaqua	Bessemer Venture Partners	\$25.0	2
15-Oct-13	CounterTack	Goldman Sachs, Fairhaven Capital	\$12.0	3
10-Oct-13	Lookout Mobile Security	Deutsche Telekom, Qualcomm, Mithril Capital Management, Accel Partners, Andreessen Horowitz, Index Ventures, Khosla Ventures	\$55.0	7

# Q4 2013 Security & Risk IPO Activity

Original Filing Date	IPO Date	Company	Offer Size (\$mm)	Offer Price	LTM				Performance		
					Revenue (\$mm)	EBITDA (\$mm)	Revenue Growth	EBITDA Margin	1st Week	1st Month	YTD
10/1/2013	11/6/2013	Barracuda Networks	\$75	\$18	\$218	\$2	NA	1.1%	15.3%	27.9%	120.4%



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