

Q4 2014 Security & Risk Market Snapshot

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Signal Hill at a Glance

Signal Hill, named *2014 Boutique Investment Bank of the Year* by the Global M&A Network, 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 ACQUIRED JANUARY 2015	 HAS RECEIVED GROWTH EQUITY INVESTMENT FROM DECEMBER 2014	 RECEIVED A SIGNIFICANT GROWTH EQUITY INVESTMENT DECEMBER 2014	 HAS SOLD GANNETT HEALTHCARE GROUP TO DECEMBER 2014	 HAS RECEIVED GROWTH EQUITY INVESTMENT FROM NOVEMBER 2014	 HAS ACQUIRED NOVEMBER 2014	 HAS ACQUIRED NOVEMBER 2014	 HAS MADE A STRATEGIC INVESTMENT IN OCTOBER 2014
 HAS BEEN ACQUIRED BY OCTOBER 2014	 HAS BEEN ACQUIRED BY SEPTEMBER 2014	 HAS RECEIVED GROWTH EQUITY INVESTMENT FROM AUGUST 2014	 HAS SOLD R ISOFT TO AUGUST 2014	 HAS BEEN ACQUIRED BY JULY 2014	 HAS RECEIVED A SIGNIFICANT INVESTMENT FROM JULY 2014	 DIVESTITURE OF JULY 2014	 HAS MERGED WITH JUNE 2014
 HAS SOLD CERTAIN ASSETS TO JUNE 2014	 HAS BEEN ACQUIRED BY JUNE 2014	 HAS RECEIVED GROWTH EQUITY INVESTMENT FROM JUNE 2014	 COMPLETES SALE OF SELECT BUSINESSES TO JUNE 2014	 RECEIVED MAJORITY INVESTMENT FROM JUNE 2014	 HAS BEEN ACQUIRED BY JUNE 2014	 HAS BEEN ACQUIRED BY MAY 2014	 HAS BEEN ACQUIRED BY MAY 2014
 HAS MERGED WITH APRIL 2014	 HAS RECEIVED AN EQUITY INVESTMENT FROM MARCH 2014	 HAS BEEN ACQUIRED BY FEBRUARY 2014	 HAS RECEIVED AN INVESTMENT FROM FEBRUARY 2014	 HAS BEEN ACQUIRED BY FEBRUARY 2014	 HAS RECEIVED GROWTH EQUITY INVESTMENT FROM JANUARY 2014	 HAS BEEN ACQUIRED BY JANUARY 2014	 HAS RECEIVED AN INVESTMENT FROM JANUARY 2014

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

Q4 2014 Security & Risk M&A Overview

We tracked 30 announced deals in the Security & Risk sector in Q4 2014. While equal to the number of deals in Q3 2013, monetary deal volume increased more than 150 percent to reach \$4.5B, which includes NetScout Systems' \$2.6B acquisition of Danaher Corporation. Q4 2014 capped a year of total sector M&A volume of \$10.7B, one of the highest on record. Due to the high proportion of deals lacking publicly disclosed deal metrics, it is difficult to accurately represent actual total deal volume or median transaction multiples. Major sector transactions with high double-digit revenue multiples included Pulse Secure / MobileSpaces and Microsoft / Aorato. The quarter was also notable for broader-than-typical buyer geographic and industry diversity, pointing to an expanding acquirer universe and an active security M&A market in 2015.

<i>Source: Signal Hill</i>	Q4 2013	Q1 2014 ⁽¹⁾	Q2 2014	Q3 2014	Q4 2014 ⁽²⁾
Number of Deals	25	28	32	30	30
<i>% change from prior quarter</i>	-	12.0%	14.3%	-6.3%	0.0%
Total Announced Enterprise Value (\$M)	\$876.2	\$3,496.4	\$158.9	\$1,705.2	\$4,516.5
<i>% change from prior quarter</i>	-	299.0%	-95.5%	973.1%	164.9%
Median Announced Deal Size (\$M)	\$32.0	\$141.3	\$13.3	\$31.2	\$77.5
<i>% change from prior quarter</i>	-	341.6%	-90.6%	134.6%	148.4%
Median EV/TTM Revenue Multiple	5.7x	9.7x	3.8x	3.1x	3.1x

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

(2) Includes \$2,600.0M Danaher Corporation / NetScout Systems transaction

Notable Q4 2014 Security & Risk M&A Transactions

Select Security & Risk Transactions, Q4 2014



**Tripwire to be Acquired
by Belden**
EV: \$710.0M

Tripwire, a global provider of advanced threat, security and compliance solutions, has agreed to be acquired by Belden (NYSE: BDN), a leader in signal transmission solutions for mission-critical applications. Prior to the acquisition plans, Tripwire and Belden announced a joint initiative to improve critical infrastructure cybersecurity in manufacturing organizations, providing comprehensive solutions tailored to specific customer requirements.



**SilverSky Acquired by
BAE Systems**
EV: \$235.0M

SilverSky, one of the largest independent providers of cloud-based security software and managed services, has been acquired by BAE Systems, a global company with a complementary portfolio of cybersecurity solutions. SilverSky expects the acquisition will help strengthen its existing leadership position in the managed services marketplace and enhance its customer offering with a focus on innovative cloud-based security and intelligence solutions.



**FishNet to Merge with
Accuvant**
EV: \$350.0M
Revenue Multiple: 0.5x

FishNet and Accuvant, two leading providers of information security services and solutions, have signed a definitive agreement to join forces and create a new, combined company. The merger brings together the complementary strengths of the two organizations and creates a new provider with a broader suite of services, smarter solutions, more expertise and expanded reach to innovate and meet customers' complex and rapidly expanding global information security needs.



Notable Q4 2014 Security & Risk M&A Transactions

Select Security & Risk Transactions, Q4 2014



**WIS@key Acquired by
Garnero Group**
EV: \$172.0M

WIS@key, a digital information security, authentication, and identity management company headquartered in Geneva, Switzerland serving governments, business and individual website hosts, has been acquired by Garnero Group, a “blank check” company (shell). The transaction will allow WIS@key to become the first Swiss cyber security company listed on Nasdaq.



**MobileSpaces
Acquired by Pulse
Secure**
EV: \$100.0M
Revenue Multiple: 50.0x

Mobile Spaces, a provider of mobile security for the app-centric enterprise, has been acquired by Pulse Secure, which provides access and mobile security solutions to enterprises and service providers. The acquisition represents Pulse Secure’s first major investment in the broader mobility market following its inception as a new, independent company following its spin-out from Juniper Networks last year.



**Aorato Acquired by
Microsoft**

Aorato, an Israeli-based innovator in behavioral based APT defense for enterprises, has been acquired by Microsoft. The acquisition will provide Microsoft customers a new level of protection against threats through better visibility into their identity infrastructure. With Aorato, Microsoft can accelerate its ability to give customers powerful identity and access solutions that span on-premise and the cloud.



Q4 2014 Security & Risk M&A Transactions

Date Announced	Seller	Buyer	Enterprise	Revenues	Enterprise
			Value		Revenue
19-Dec-14	RandomStorm Ltd.	Accumuli PLC	\$14.0	NA	NA
10-Dec-14	Neohapsis	Cisco Systems Inc.	NA	NA	NA
10-Dec-14	PPM 2000	Klass Capital	NA	NA	NA
09-Dec-14	Tripwire Inc. / Assets	Belden Inc.	\$710.0	\$146.0	4.9x
09-Dec-14	Beijing HuaTech Information Technology Co. Ltd.	Beijing VRV Software Corp. Ltd.	\$16.2	NA	NA
01-Dec-14	PasswordBox	Intel Corporation	\$55.0*	NA	NA
26-Nov-14	Comendo A/S	j2 Global Inc.	\$14.0	\$9.8	1.4x
24-Nov-14	BRToken	Datablink	NA	NA	NA
18-Nov-14	CensorNet Ltd.	CensorNet management / MBO	NA	NA	NA
14-Nov-14	p3 Consulting + Software AG	KPMG LLP	NA	NA	NA
13-Nov-14	Aorato	Microsoft Corporation	\$200.0*	NA	NA
06-Nov-14	Norman Safeground AS	AVG Technologies	\$14.0	NA	NA
05-Nov-14	FishNet Security	Accuvant	\$350.0*	\$700.0*	0.5x
03-Nov-14	InfoTrust AG	NTT Com Security AG	NA	NA	NA
31-Oct-14	WISeKey SA / 70% Stake	Garnero Group Acquisition Company	\$350.0	NA	NA
28-Oct-14	iViz Security	Cigital Inc.	NA	NA	NA
28-Oct-14	Identropy / SCUID Assets	CA Technologies	NA	NA	NA
23-Oct-14	Nexgate	Proofpoint Inc.	\$35.0	NA	NA
21-Oct-14	AnubisNetworks	BitSight Technologies	NA	NA	NA
21-Oct-14	SilverSky	BAE Systems	\$235.0	NA	NA
20-Oct-14	Crypteia Networks SA	PCCW Global Ltd.	NA	NA	NA

Q4 2014 Security & Risk M&A Transactions

Date Announced	Seller	Buyer	Enterprise	Revenues	Enterprise
			Value		Revenue
16-Oct-14	Armor5	Verdasys Inc. (Digital Guardian)	NA	NA	NA
16-Oct-14	eSignSystems / Assets	DocMagic, Inc.	\$1.2	NA	NA
15-Oct-14	Bridge Point Communications	Telstra Corporations Limited	NA	NA	NA
13-Oct-14	Danaher Corporation (communications business)	NetScout Systems	\$2,600.0	\$836.0	3.1x
07-Oct-14	Mojave Networks	Sophos Plc	NA	NA	NA
02-Oct-14	MobileSpaces	Pulse Secure LLC	\$100.0	\$2.0	50.0x
01-Oct-14	Saltbush Group Pty Ltd.	UXC Consulting Pty Ltd.	NA	NA	NA
01-Oct-14	Excel Micro	j2 Global Inc.	NA	NA	NA
01-Oct-14	Kernel Networks	Arismore	NA	NA	NA

Security & Risk Public Companies – Q4 2014 Trading Statistics

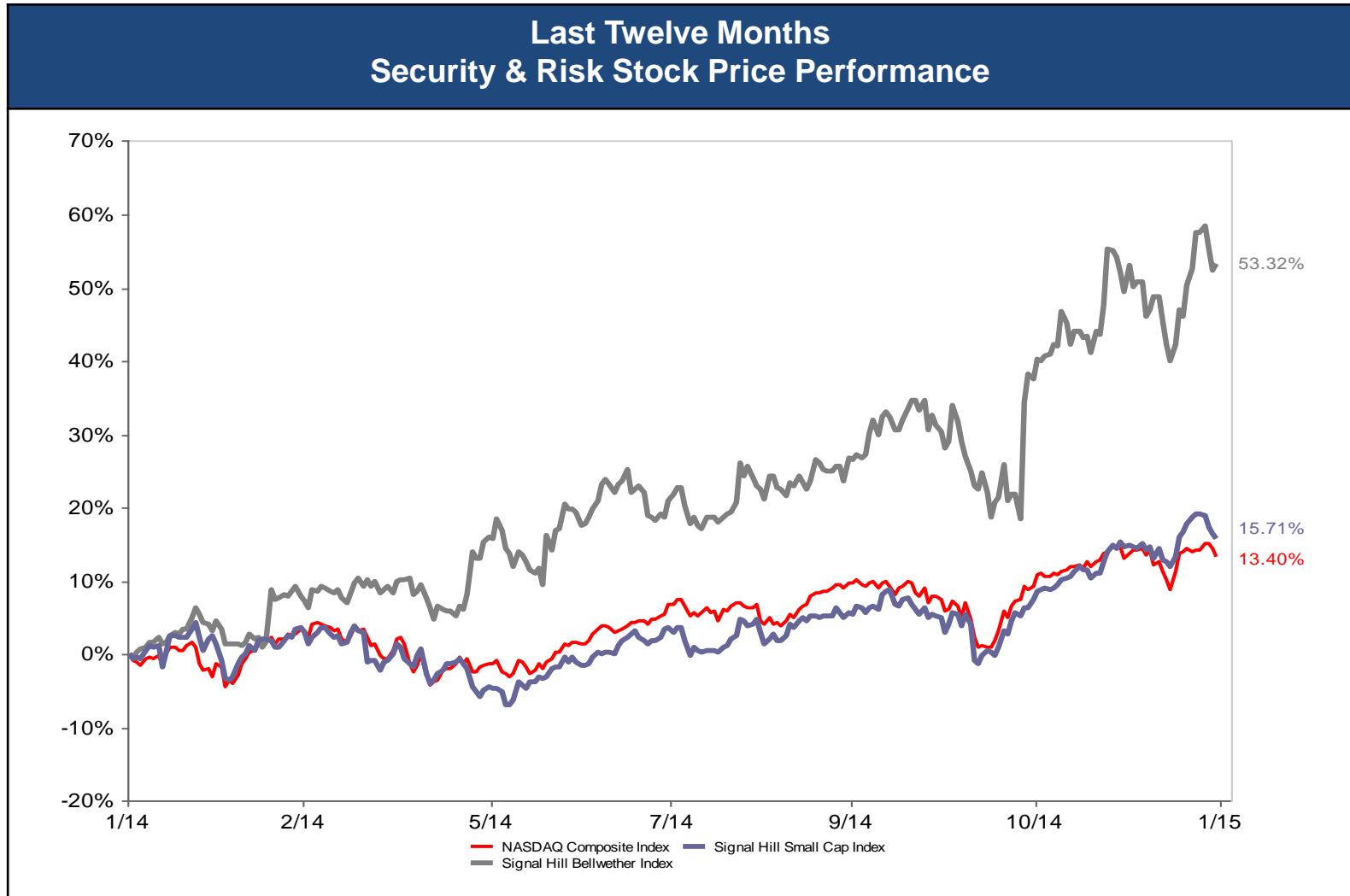
		(\$ in millions, except per share amounts)									Enterprise Value /					
Market Segment	Company	12/31/2014 Price	% Dec./Inc. from LTM		Fully Diluted Eq. Val.	Revenue			Fully Diluted Ent. Val.	Revenue			EBITDA			
			High	Low		LTM	CY'14E	CY '15E	Net Cash		LTM	CY'14E	CY'15E	LTM	CY'14E	CY'15E
Security Bellwether																
Content	Symantec	\$25.66	(4%)	43%	\$17,706	\$6,682	\$6,711	\$6,773	\$1,698	\$16,008	2.4x	2.4x	2.4x	8.2x	7.5x	7.0x
SVM	Check Point	\$78.57	(3%)	30%	\$14,990	\$1,462	\$1,482	\$1,569	\$1,240	\$13,751	9.4x	9.2x	8.7x	17.3x	15.7x	14.7x
SVM	Palo Alto	\$122.57	(4%)	124%	\$9,873	\$662	\$725	\$976	\$300	\$9,573	14.5x	13.2x	9.8x	NM	NM	NM
IAM	Gemalto	\$82.22	(25%)	28%	\$7,125	\$3,269	\$3,026	\$3,370	\$433	\$6,692	2.3x	2.2x	1.9x	13.7x	12.1x	10.0x
SVM	Fortinet	\$30.66	(3%)	62%	\$5,054	\$724	\$757	\$875	\$661	\$4,394	6.1x	5.8x	5.0x	NM	31.2x	25.6x
SVM	FireEye	\$31.58	(68%)	27%	\$4,750	\$340	\$424	\$624	\$398	\$4,352	12.8x	10.3x	7.0x	NM	NM	NM
Content	Trend Micro	\$27.88	(12%)	10%	\$3,745	\$1,024	\$950	\$1,019	\$1,043	\$2,702	2.9x	2.8x	2.7x	7.5x	8.2x	8.1x
Content	Proofpoint	\$48.23	(5%)	101%	\$1,839	\$180	\$192	\$242	\$72	\$1,767	9.8x	9.2x	7.3x	NM	NM	NM
SVM	Barracuda	\$35.84	(19%)	52%	\$1,862	\$266	\$266	\$309	\$152	\$1,710	6.7x	6.5x	5.6x	NM	23.7x	19.3x
SVM	Imperva	\$49.43	(26%)	169%	\$1,314	\$155	\$162	\$200	\$101	\$1,213	7.8x	7.5x	6.1x	NM	NM	NM
SVM	Qualys	\$37.75	(7%)	110%	\$1,258	\$126	\$133	\$161	\$113	\$1,144	9.1x	8.6x	7.1x	NM	40.9x	33.8x
Content	Cyber Ark	\$39.65	(16%)	79%	\$1,208	\$87	\$94	\$114	\$169	\$1,039	12.0x	11.1x	9.1x	NM	NM	NM
Content	AVG Technologies	\$19.74	(8%)	30%	\$1,018	\$376	\$370	\$420	\$44	\$974	2.6x	2.6x	2.3x	7.3x	7.0x	6.6x
Content	Ahnlab	\$32.98	(46%)	9%	\$286	\$132	\$132	NM	\$70	\$216	1.7x	1.7x	NM	13.5x	13.5x	NM
Median											7.8x	7.5x	6.1x	8.2x	13.9x	12.3x
Mean											7.6x	7.0x	5.8x	10.8x	18.3x	15.6x
Security Small Cap																
IAM	Vasco	\$28.21	(8%)	336%	\$1,107	\$182	\$192	\$220	\$126	\$981	5.4x	5.1x	4.5x	32.4x	22.2x	18.4x
Content	F-Secure	\$2.72	(22%)	26%	\$424	\$196	\$188	\$184	\$63	\$362	1.9x	1.9x	1.9x	9.7x	9.8x	8.3x
SVM	Absolute Software	\$7.01	(0%)	39%	\$308	\$92	\$94	\$102	\$63	\$245	2.7x	2.6x	2.4x	14.2x	13.9x	12.6x
Content	Zix	\$3.60	(27%)	24%	\$205	\$50	\$50	\$56	\$20	\$184	3.7x	3.7x	3.3x	18.1x	16.3x	13.5x
Content	CommTouch	\$1.72	(58%)	23%	\$54	\$32	\$32	\$39	\$8	\$46	1.4x	1.5x	1.2x	NM	NM	NM
SVM	Intrusion	\$2.82	(6%)	91%	\$35	\$7	\$7	NM	NM	\$37	5.1x	5.1x	NM	NM	NM	NM
Content	Wave Systems	\$0.80	(66%)	16%	\$37	\$20	\$18	\$18	\$4	\$32	1.6x	1.8x	1.8x	NM	NM	NM
IAM	Bio-key	\$0.11	(63%)	56%	\$15	\$3	\$3	NM	\$0	\$14	4.2x	4.2x	NM	NM	NM	NM
Median											3.2x	3.1x	2.1x	16.2x	15.1x	13.0x
Mean											3.3x	3.2x	2.5x	18.6x	15.6x	13.2x

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 2014 Security & Risk Financing Activity

Date Announced	Company	Investor(s)	Deal Value	Round Number
24-Dec-14	Security First	Undisclosed	\$29.2	1
23-Dec-14	Indegy	Amihai Shulman; Magma Venture Partners; Shlomo Kramer	\$6.0	1
12-Dec-14	Drawbridge Networks	Undisclosed	\$1.1	1
11-Dec-14	Safetica Technologies	Ondrej Tomek	\$2.5	1
17-Dec-14	EdgeWave	Undisclosed	\$2.0	2
17-Dec-14	Rapid7	Bain Capital; TCV	\$30.0	4
11-Dec-14	DB Networks	Citi Ventures; Khosla Ventures; Grotech Ventures	\$17.0	3
10-Dec-14	Threat Stack	.406 Ventures; Atlas Venutre	\$5.0	2
10-Dec-14	Area 1 Security	Kleiner Perkins Caufield & Byers	\$8.0	2
09-Dec-14	Nok Nok Labs	Undisclosed	\$8.3	3
08-Dec-14	BehavioSec	Octopus Investments; Northzone	\$6.1	3
04-Dec-14	Icebrg.io	Madrona Venture Capital; Foundation 8	\$2.5	1
04-Dec-14	ThreatStream	Paladin Capital Group; Google Ventures; Institutional Venture Partners; General Catalyst	\$22.0	3
03-Dec-14	NexDefense, Inc.	Buckhead Investments Llc; Mosley Ventures	\$2.4	3
02-Dec-14	Nowsecure	Math Venture Partners; Jump Capital; Baird Capital	\$12.5	1
02-Dec-14	Virsec Systems, Inc.	Undisclosed	\$7.6	2
24-Nov-14	CloudLock	Undisclosed	\$6.7	4
20-Nov-14	ThreatConnect, Inc.	Grotech Ventures	\$4.0	1
20-Nov-14	Total Digital Security Corp.	Undisclosed	\$0.5	2
19-Nov-14	5Nine Software	Insight Venture Partners	-	2
19-Nov-14	CipherCloud	Andreessen Horowitz LLC; Delta Partners; Transamerica Ventures; T-Venture Holding GmbH	\$50.0	4

Select Q4 2014 Security & Risk Financing Activity

Date Announced	Company	Investor(s)	Deal Value	Round Number
18-Nov-14	Menlo Security Inc.	General Catalyst Partners; Osage Partners LLC	\$10.5	1
17-Nov-14	V-Key Inc	IPV Capital; Zhejiang Ant Small and Micro Financial Services Company, Ltd.	\$12.0	2
13-Nov-14	Vantage Point Analytics	Undisclosed	\$1.6	1
11-Nov-14	Evident.io	Semantic-Intelligence, LLC; True Ventrues; Bain Capital Ventures	\$9.9	2
09-Nov-14	Covata	Undisclosed	\$15.0	1
09-Nov-14	Datashield	Huntington Capital	\$4.0	1
07-Nov-14	Endgame Systems	Bessemer Venture Partners; Columbia Capital, LLC; Edgemore Capital, LLC; Kleiner Perkins Caufield & Byers; Paladin Capital Group; Top Tier Capital Partners	\$30.0	3
29-Oct-14	Krimmeni Technologies	Pelion Venture Partners; Third Point Ventures	\$11.7	2
28-Oct-14	Socure Inc.	Founder Collectivel ff Venture Capital; Two Sigma Ventures	\$2.5	2
22-Oct-14	Spikes Security	Javelin Venture Partners; Benhamou Global Ventures; Lakewood & Company	\$11.0	3
20-Oct-14	Brainwave S.A.R.L	Entrepreneur Venture Gestion SA	\$3.2	1
16-Oct-14	eperi GmbH	b-to-v Partners AG	\$0.6	1
14-Oct-14	Risk I/O	Hyde Park Angels; Tugboat Ventures; U.S. Venture Partners; Costanoa Venture Capital	\$4.0	2
10-Oct-14	405LABS, Inc.	Undisclosed	\$2.3	1
09-Oct-14	Zenedge	Andrew Malik; Fred Sorkin; Yehuda Neuberger	\$3.5	1



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