

## April 2011: Inside this Issue

Welcome to this quarter's issue of Lincoln International's Cyber Security DealReader, a newsletter focused on market dynamics, merger and acquisition trends and events of interest to owners and managers of global cyber security businesses and their advisors. At Lincoln International, we specialize in providing unparalleled mergers and acquisitions advisory services to global corpo-

rations, financial sponsors and privately-held businesses. Our knowledge of the cyber security sector, global footprint and commitment to understanding our clients' unique business models has allowed us to successfully pair our clients with partners who are ideally suited to meet their long-term growth objectives, while simultaneously maximizing value in the near term.

In this issue, we are pleased to showcase an interview with Greg Sullivan, founder and CEO of Global Velocity. We hope you find this newsletter to be a useful tool, and welcome any comments.

*Lincoln International*

**As the world continues to become increasingly interconnected in the coming years, the threat of cyber attacks and the potential loss of sensitive information will only intensify in magnitude. Greg Sullivan, founder and CEO of Global Velocity, discusses the current trends in the cyber security sector.**

*Greg Sullivan is the CEO of Global Velocity, a leading provider of cutting-edge hardware-based solutions for monitoring and controlling networks that sets a new standard for cyber security. Mr. Sullivan is responsible for all aspects of Global Velocity's strategy and growth. He is a noted business professional and has been acknowledged with the 2000 Entrepreneur of the Year Award and the 1999 United States National Small Business Person of the Year Award. Mr. Sullivan was previously Founder and Chief Executive Officer of technology consulting firm G.A. Sullivan, which he successfully operated for over 20 years until acquired by Avanade, a joint venture originally created by Accenture and Microsoft.*

**Q: Global Velocity was recently featured by the Security Innovation Network ("SINET") as one of the leading innovators in the cyber security sector. Can you tell us a little bit about Global Velocity and its groundbreaking GV – 2010 system?**

*Sullivan:* There exist a multitude of problems in cyber security and there exist a multitude of solutions for each of these problems. Network operators and security officers face incredible complexities and high administrative costs attempting to integrate these multiple capabilities into their cyber security fabric. What we have done at Global Velocity is create, from the bottom up, a next generation networking platform upon which many cyber security solutions can be delivered.


The GV-2010 is the first, true multipurpose cyber security platform that represents a big step toward the ultimate goal of unified threat management. Today we offer what you would expect from a deep packet inspection vendor, and a data loss prevention vendor, all in a single device. It is hardware-based, so scales to modern day network speeds (10Gbps now, demonstrable at 40Gbps with a clear path to 100Gbps). We provide surveillance and control of applications, content (structured and unstructured), and patterns for both clear and encrypted paths from a **single** device. There is no need for additional servers and/or other technologies to be introduced into the security fabric to achieve these targets. This dramatically lowers the cost of acquisition as well as the cost to administer.

Most of all, it is easy to deploy and easy to use.


**Q: How has the cyber security threat changed in recent history and how do you see this threat evolving in the coming years?**

*Sullivan:* Attacks on networks continue to increase from year to year. This trend will likely continue in the coming years. Our data is valuable, be it personal or institutional. I expect the cyber thieves, whether individuals, organized groups or state-sponsored, to become more effective at ways to leverage up the value of our data by coalescing it; 1+1=10.

As our dependency on the internet increases, so does the risk associated



October 2010 - Global Velocity Inc., a company that has developed the first hardware-accelerated content inspection solution, was selected to introduce its innovative security technology during the Security Innovation Network™ (SINET) Showcase 2010 on October 27 in Washington, D.C. SINET attendees included representatives from the Federal government, private industry, system integration, research institutions, venture capital and investment banking communities. To learn more about the Security Innovation Network, go to [www.security-innovation.org](http://www.security-innovation.org)



with its usage. The bad guys are more organized, more effective and seeking to cause greater damage. General Alexander, the Commander of U.S. Cyber Command (USCYBERCOM) and the Director of the National Security Agency (NSA) and Central Security Service (CSS), recently stated that the single greatest threat to our national security is the theft of our intellectual property. Our ingenuity is the foundation of our economic existence and it is

*(Continued on page 2)*

## Trends in the cyber security sector

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clearly threatened in cyberspace.

While the threat will continue to evolve, so will our desire to protect our valuable digital assets. We realize this now, and more each day.

### **Q: What steps has Global Velocity taken to position itself to address the ever-changing cyber landscape?**

*Sullivan:* A new approach has been needed for some time now. We have taken the time to build, at its core, a platform upon which cyber security problems of today – and tomorrow – can be solved. Such an endeavor is rarely undertaken in today's world of instant gratification and early exits.

You can look at this from a pure technology perspective as well as that of threat vectors. On the technology front, networks will continue to get faster, applications more complex, and the list of items we need to understand and control will continue to grow. As far as threat vectors, these will become more sophisticated and change more rapidly in response to new security paradigms.

We have positioned ourselves from our inception to stay ahead of next generation network speeds with a platform that can adapt easily to new attack forms and outcomes. In addition, our platform approach can adapt to what will inevitably become the next generation internet – with more robust protocols that allow for better authentication, attribution and non-repudiation. We will quickly be able to develop greater value as the internet evolves.

In our product strategies, we have always assumed that the “bad guys” are going to find their way in – the network will be compromised. We intend on being the most effective and viable solution in the market to make sure they don't leave with your critical assets. We'll do that by leveraging the differentiators discussed above but also through effective integration with other elements of your security fabric such as solutions focused on data in use.

### **Q: What suggestions would you give commercial enterprises and federal organizations as they contemplate their security needs going forward?**

*Sullivan:* I start by telling everyone that you **should** expect more, for less, from your security vendors. I encourage commercial and federal customers to look beyond the point solutions and multi-party integration. It is time we attack this problem from the ground up and that's what we are delivering to the market.

It is also important that we are as aggressive, proactive and as risk-tolerant as those who are attempting to steal our data. The adversaries don't have upgrade paths, acquisition strategy and budget cycles to which they must adhere. So, we have to be as effective and creative as they are.

The business of information governance is just beginning to mature, along with cyber security capabilities. We should all be working together – the bad guys are!

On the Federal front, I'm extremely encouraged and impressed by the level of private/public interaction. Still, where are the risk takers? We clearly need new ideas and approaches, so it's time for someone on the good side to step up and take a chance on some of these innovative ideas.

### **Q: Throughout your career, you have been a highly successful entrepreneur – what lessons have you learned about creating and sustaining a valuable business?**

*Sullivan:* I feel like my generation has been through more and harder times than most others – until my father reminds me what it was like growing up in the Depression and fighting in wars across two continents. The point is that there is always a new challenge on the horizon that is beyond your control. It is important to always be prepared for the tough times, but more important to live life enjoying them all. I believe in celebrating successes along the way and always remaining grateful for the freedoms we enjoy. I consider it a privilege to work hard and want only to be among those who share that view.

### **Q: What advice would you give other business owners seeking to realize a return on their efforts through either a sale or capital raising process?**

*Sullivan:* Never give up and don't be afraid to try something new. Entrepreneurs know how to adapt to new rules, whether the new rules are clear or



“You can't have a static defense if the adversary's running all over. We cannot build defense for our systems and expect that it will live there forever...it's got to be full spectrum defense.”

– General Alexander  
Commander USCYBERCOM

not. Some are smart enough to anticipate the shifting sands and proactively adjust, others are smart enough to sense the motion and adjust in-flight.

The same applies regarding exits and capital raise. When venture capital, private equity and the credit markets dissipated we turned to angel investors. At Global Velocity, our shareholders are among our greatest assets.

Most of all, take care of yourself. We need you as you are **the** economic engine of our great country.

*Lincoln International*

## Public Trading Statistics

	Stock Price	52 Week		Enterprise Value	1-Year Growth		EV / LTM	
		High	Low		Revenue	EBITDA	Revenue	EBITDA
<b>Security Software</b>								
Blue Coat Systems Inc.	27.66	36.25	17.21	\$931	4.6%	34.7%	1.9x	9.7x
CA Technologies	23.82	25.68	17.70	11,115	5.1%	1.0%	2.5x	6.9x
Check Point Software Technologies Ltd.	51.98	52.11	28.82	9,764	18.8%	22.9%	8.9x	16.4x
CommVault Systems, Inc.	39.71	41.05	17.25	1,538	17.7%	35.6%	5.1x	nmf
EMC Corporation	26.02	27.59	17.10	52,511	21.3%	52.0%	3.1x	14.5x
Fortinet Inc.	43.49	44.90	14.72	2,958	28.8%	81.4%	9.1x	nmf
F-Secure Oyj	3.38	3.62	2.80	486	(2.7%)	(19.3%)	2.8x	16.2x
Novell Inc.	5.98	6.53	5.06	980	(5.8%)	(22.6%)	1.2x	9.4x
Red Hat, Inc.	47.03	49.00	26.69	8,214	21.5%	25.0%	9.0x	nmf
Symantec Corporation	18.36	18.80	12.04	14,208	2.7%	(7.8%)	2.3x	8.4x
Trend Micro Inc.	26.32	41.69	20.13	2,125	13.6%	(3.4%)	1.8x	5.7x
VeriSign Inc.	36.80	37.57	24.59	4,904	10.5%	21.2%	7.2x	15.5x
Websense, Inc.	23.09	27.96	17.03	927	6.1%	26.2%	2.8x	13.5x
<b>Security Hardware</b>								
Cisco Systems, Inc.	\$17.06	\$27.74	\$16.97	\$69,365	19.2%	16.1%	1.6x	6.3x
Citrix Systems, Inc.	75.41	76.60	40.33	13,262	16.1%	34.4%	7.1x	28.7x
F5 Networks, Inc.	94.15	145.76	60.50	7,117	41.4%	71.6%	7.4x	24.6x
International Business Machines Corp.	164.25	167.72	116.00	217,375	4.3%	4.7%	2.2x	8.8x
Juniper Networks, Inc.	39.76	45.01	22.25	18,983	23.4%	42.2%	4.6x	20.2x
Sourcefire, Inc.	27.49	32.79	16.80	637	26.2%	52.4%	4.9x	nmf
VMware, Inc.	78.89	97.61	51.23	30,124	41.2%	75.9%	10.5x	nmf
<b>Security Services</b>								
ATS Corporation	\$4.47	\$4.75	\$2.27	\$118	(1.7%)	2.8%	1.0x	9.0x
CACI International Inc.	61.85	62.75	40.00	2,244	14.2%	13.3%	0.7x	8.4x
CIBER, Inc.	6.60	6.73	2.51	488	3.2%	(47.5%)	0.5x	19.6x
CGI Group, Inc.	21.66	21.95	14.82	6,850	11.0%	17.2%	1.7x	9.1x
Cognizant Technology Solutions Corp.	82.35	82.86	45.85	22,826	40.1%	37.3%	5.0x	23.5x
Computer Sciences Corporation	49.40	56.61	39.61	8,901	1.0%	(3.1%)	0.6x	4.0x
Dynamics Research Corp.	16.19	17.18	8.58	155	1.3%	6.0%	0.6x	5.8x
ManTech International Corporation	43.03	51.00	34.69	1,691	28.9%	24.0%	0.6x	6.9x
NaviSite Inc.	5.50	5.51	1.81	300	8.3%	(12.3%)	2.3x	12.4x
NCI, Inc.	24.60	29.85	18.15	353	24.0%	13.4%	0.6x	7.9x
QinetiQ Group Plc	1.98	2.25	1.55	1,835	(2.5%)	(20.8%)	0.7x	7.0x
Rackspace Hosting, Inc.	42.75	44.19	15.15	5,491	24.1%	29.7%	7.0x	25.2x
SAIC, Inc.	17.30	18.46	14.87	6,673	2.5%	11.4%	0.6x	6.2x
SAVVIS, Inc.	37.06	37.98	14.47	2,775	6.7%	8.7%	3.0x	13.4x
Unisys Corporation	31.00	41.32	17.04	1,331	(8.3%)	5.8%	0.3x	2.9x

1. Data as of market close on 4/4/2011

2. All figures: USD in millions

## Select Recent Cyber Transactions

- 4/1/2011: **RSA Security, Inc.**, a subsidiary of **EMC Corporation (NYSE:EMC)**, announces the acquisition of **NetWitness Corporation**, a market-leading provider of network security analysis solutions.
- 4/1/2011: **Providence Equity Partners** announces the acquisition of **SRA International Inc. (NYSE:SRX)**, a provider of technology and strategic consulting services and solutions to the national security, civil government and intelligence markets.
- 3/2/2011: **Ares Private Equity** announces the acquisition of **Global Defense Technology & Systems, Inc. (Nasdaq:GTEC)**, a provider of technology-based systems, solutions, and services for national security agencies and programs of the U.S. government.
- 3/2/2011: **Salient Federal Solutions, Inc.** announces the acquisition of **Command Information, Inc.**, a provider of strategy, application, consulting, networking, and IPv6 services to various companies and government organizations.
- 2/11/2011: **ManTech International Corp. (Nasdaq:MANT)** announces the acquisition of **TranTech, Inc.**, a provider of information technology solutions and services.
- 12/22/2010: **BAE Systems (LSE:BA.)** announces the acquisition of **ETI A/S**, a leading cyber and intelligence company providing advanced technology products and services to government and commercial clients worldwide.
- 12/18/2010: **Raytheon Co. (NYSE:RTN)** announces the acquisition of **Applied Signal Technology, Inc.**, a provider of intelligence, surveillance, and reconnaissance solutions for the defense, intelligence, and homeland security markets.
- 11/15/2010: **Cubic Corporation (NYSE:CUB)** announces the acquisition of **Abraxas Corporation**, a provider of risk mitigation and subject matter and operational expertise for national security, law enforcement and homeland security clients.

## Recent Lincoln Transactions

March 2011

**POMEROY**  
infrastructure. optimized.™

a portfolio company of

*Platinum Equity*

has completed a recapitalization in the amount of  
**\$40,000,000**  
Junior Capital

- Dividend recapitalization for **Pomeroy IT Solutions, Inc.**, a portfolio company of **Platinum Equity Partners** (acquired in 2009)
- Leading provider of outsourced information technology (IT) services focused on designing, implementing and supporting IT solutions

March 2011

**Schneider Electric**

has acquired

**LEE TECHNOLOGIES™**  
MISSION-CRITICAL  
INFRASTRUCTURE SOLUTIONS

- Completed acquisition of **Lee Technologies, Inc.** by **Schneider Electric S.A. (ENXTPA:SU)**
- Engages in managing the design, construction & integration of infrastructure systems and on-site & off-site maintenance and monitoring services for data centers

September 2010

**CIPHENT**

has been acquired by

**ACCUVANT**

a portfolio company of

**SVERICA INTERNATIONAL**

- Sale of **Ciphent, Inc.** to **Accuvant, Inc.**, a portfolio company of **Sverica International**
- Leading provider of comprehensive cyber security solutions for major government agencies and commercial organizations

## About Lincoln International

Lincoln International specializes in merger and acquisition advisory services, private capital raising and restructuring advice on mid-market transactions. Lincoln International also provides fairness opinions, valuations and pension advisory services on a wide range of transaction sizes. With ten offices in Asia, Europe and North America, and strategic partnerships with leading institutions in China and India, Lincoln International has strong local knowledge and contacts in the key global economies. The organization provides clients with senior-level attention, in-depth industry expertise and integrated resources. By being focused and independent, Lincoln International serves its clients without conflicts of interest. More information about Lincoln International can be obtained at [www.lincolninternational.com](http://www.lincolninternational.com).

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