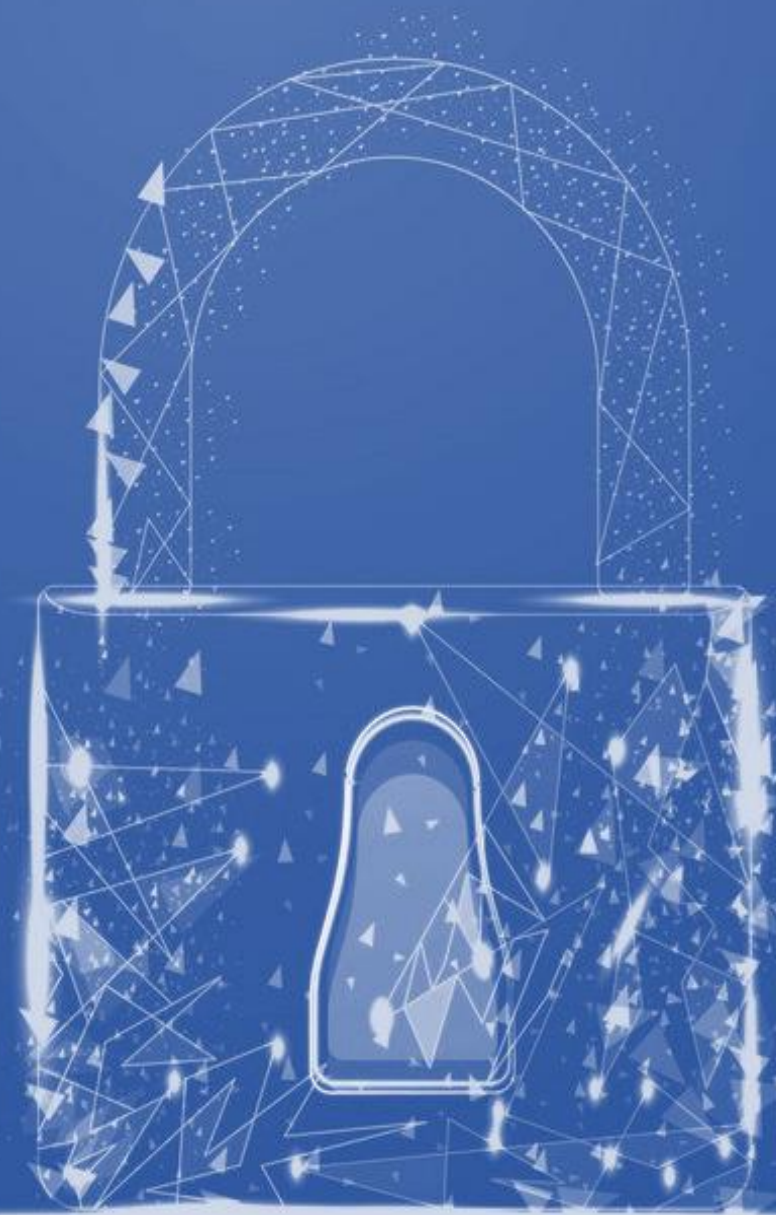


Security Systems Services Industry Report 2020



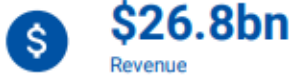
SECURITY SYSTEMS INDUSTRY KEY TAKEAWAYS

- Revenue for the **Security Alarm Services** industry currently stands at \$27.0 billion in 2020 and is expected increase at an annualized rate of 2.7% over the next five years.
 - **Industry Demand Drivers**
 - ◆ **Public Safety:** Increasing public concerns over security and safety have led to growth in private security spending.
 - ◆ **Innovation:** The emergence of digital sensors, broadband technology and mobile access has enabled new operators to enter the industry. The increase in developing technologies and strategic partnerships will likely lead to more industry mergers and acquisitions.
 - ◆ **Small Businesses:** As more small businesses re-open over the next five years, the demand for security and alarm services will increase. Downstream commercial demand for security alarm services will also likely be bolstered by new technologies.

- **Cyber Security**
 - The **global cyber security market** size was valued at USD 156.5 billion in 2019 and is expected to expand at a compound annual growth rate (CAGR) of 10.0% from 2020 to 2027.
 - Cyber security has become a vital service as **frauds, cybercrimes, and other virtual threats** becoming increasingly common amongst organizations across the U.S.
 - North America accounted for **36.7%** of the **global cyber security revenue share** in 2019.

INDUSTRY AT A GLANCE

Key Statistics



Products and Services Segmentation



INDUSTRY AT A GLANCE

Major Players

% = share of industry revenue



- 19.2% ADT
- 6.8% Tyco
- 74.0% Other

Security Alarm Services
Source: IBISWorld

SWOT

S STRENGTHS

- Low & Increasing Level of Assistance
- Growth Life Cycle Stage
- Low Imports
- High Revenue per Employee
- Low Capital Requirements

W WEAKNESSES

- Low & Increasing Barriers to Entry
- Low Profit vs. Sector Average
- High Customer Class Concentration
- High Product/Service Concentration

O OPPORTUNITIES

- High Revenue Growth (2015-2020)
- High Revenue Growth (2020-2025)
- Private investment in computers and software

T THREATS

- Low Revenue Growth (2005-2020)
- Low Outlier Growth
- Low Performance Drivers
- Value of private nonresidential construction

PUBLIC COMPS

Company Name	Share Price	52 Week Range	Market Cap	Enterprise Value	Multiples	
					TTM EV/ Sales	TTM EV/ EBITDA
Fortinet	\$ 152.12	70.20-155.31	\$ 24,694,000	\$ 22,130,000	9.4x	42.8x
Napco Security Technologies	\$ 27.92	13.33-32.37	\$ 529,690	\$ 518,830	5.1x	42.2x
Fortune Brands Home and Security	\$ 89.44	33.90-93.40	\$ 12,860,000	\$ 14,620,000	2.5x	16.2x
George Risk Industries	\$ 10.95	7.01-11.25	\$ 53,190	\$ 20,720	1.3x	5.5x
Zix	\$ 8.65	2.84-9.46	\$ 483,860	\$ 656,150	3.8x	42.6x
			Low	\$ 20,720	1.3x	5.5x
			Median	\$ 656,150	3.8x	42.2x
			High	\$ 22,130,000	9.4x	42.8x

*All values in thousands, except for share prices and multiples.

*Share price and 52-week range as of 1/26/21



PUBLIC COMPS

Company Name	TTM Data							
	Sales	EBITDA	Gross Margin	EBIT Margin	EBITDA Margin	Revenue Growth%	Full-Time Employees	Revenue/FTE
Fortinet	\$ 2,354,300	\$ 517,100	77.6%	19.2%	22.0%	19.8%	7,756	\$ 303.55
Napco Security Technologies	\$ 101,359	\$ 12,308	43.0%	10.7%	12.1%	-7.2%	1,076	\$ 94.20
Fortune Brands Home and Security	\$ 5,901,100	\$ 899,800	35.4%	12.6%	15.2%	3.3%	24,700	\$ 238.91
George Risk Industries	\$ 16,240	\$ 3,740	50.6%	20.7%	23.0%	13.6%	175	\$ 92.80
Zix	\$ 173,428	\$ 15,409	55.7%	-5.2%	8.9%	49.1%	566	\$ 306.41
Low	\$ 16,240	\$ 3,740	35.4%	-5.2%	8.9%	-7.2%	175	\$ 92.80
Median	\$ 173,428	\$ 15,409	50.6%	12.6%	15.2%	13.6%	1,076	\$ 238.91
High	\$ 5,901,100	\$ 899,800	77.6%	20.7%	23.0%	49.1%	24,700	\$ 306.41

**All values in thousands, except for full-time employees.*

SECURITY SYSTEMS INDEX VS. S&P 500



DCA Security Systems Index: FTNT, NSSC, FBHS, ZIXI, RSKIA

RECENT PRIVATE TRANSACTIONS

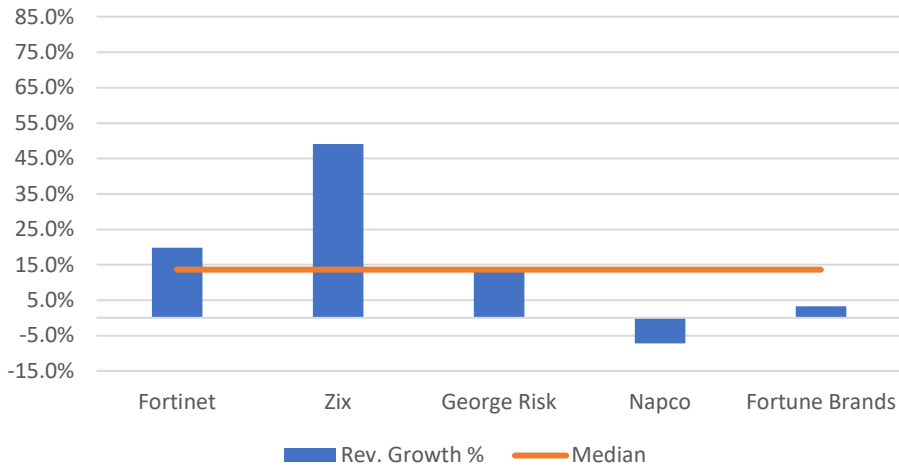
Date	Target Description	Deal Value	EBITDA	Revenue	DV/EBITDA	DV/Revenue
11/15/2019	Fire Protection Equipment	\$ 35,000,000	\$1,732,560	\$ 14,068,018	20.2x	2.49x
11/01/2019	Information Technology Security	\$ 7,525,000	\$ 242,423	\$ 2,875,831	31.0x	2.62x
10/01/2019	Commercial and Residential Secu	\$ 2,600,000	\$ 450,000	\$ 4,500,000	5.8x	0.58x
10/31/2018	Security Monitoring Services	\$ 5,000,000	\$ 809,000	\$ 7,563,244	6.2x	0.66x
10/05/2018	AI Based Image Processing	\$ 6,298,897	\$ 40,946	\$ 4,850,799	153.8x	1.30x
09/12/2018	Electronic Security Services	\$ 9,190,984	\$1,997,764	\$ 8,573,549	4.6x	1.07x
			Low	\$ 2,875,831	4.6x	0.6x
			Median	\$ 6,207,022	13.2x	1.2x
			High	\$ 14,068,018	153.8x	2.6x

RECENT PUBLIC TRANSACTIONS

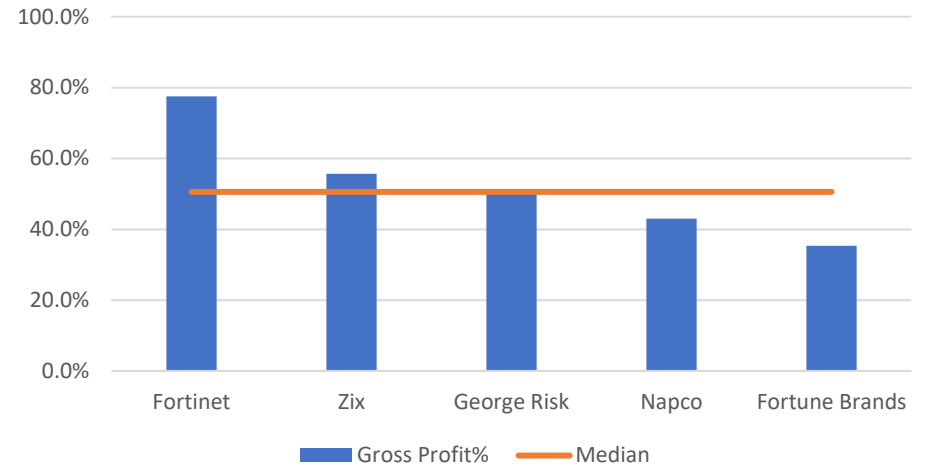
Deal Date	Seller	HQ Location	Acquirers	Deal Size (\$mm)
13-Dec-2019	Allied Universal	Conshohocken, PA	Bank J. Safra Sarasin, Caisse de dépôt et placement du Québec, Stags Participations	7,000.00
22-Jun-2020	Anixter International	Glenview, IL	WESCO International (NYS: WCC)	4,500.00
26-Oct-2018	U.S. Security Associates	Roswell, GA	Allied Universal, Partners Group, Warburg Pincus, Wendel Group	1,000.00
03-Aug-2020	ADT Security Services	Boca Raton, FL	Alphabet (NAS: GOOGL)	450.00
31-Jan-2020	ID Analytics	San Diego, CA	LexisNexis Risk Solutions	375.00
24-Jun-2019	KnowBe4	Clearwater, FL	Carson Private Capital, Elephant Partners, Greenspring Associates, Kohlberg Kravis Roberts	309.39
29-Apr-2020	Allied Universal	Conshohocken, PA	W Capital Partners, Warburg Pincus	196.00
05-Dec-2018	Pindrop	Atlanta, GA	Allegion Ventures, Andreessen Horowitz, CapitalG, Citi Ventures, Cross Creek, Dimension Data, EDBI, GV, IVP, The Goldman Sachs Group (NYS: GS), Vitruvian Partners	90.00
10-Mar-2020	Synack	Redwood City, CA	B Capital Group, C5 Capital, GGV Capital, GV, Hewlett Packard Pathfinder, Icon Ventures, Intel Capital, Kleiner Perkins, M12, Rashmi Gopinath, Singtel Innov8	52.00
26-Sep-2018	Forter	New York, NY	Activant Capital, March Capital Partners, New Enterprise Associates, Salesforce Ventures, Scale Venture Partners, Sequoia Capital Israel	50.00
08-Jul-2019	Advantor Systems	Orlando, FL	Vectrus (NYS: VEC)	44.00
12-Sep-2019	Bishop Fox	Phoenix, AZ	1843 Capital, ForgePoint Capital	36.55
10-Sep-2020	EverC	New York, NY	American Express Ventures, Arbor Ventures, Joey Low, Maor Investments, Red Dot Capital Partners, Viola Ventures	35.00
06-Mar-2020	Evolv Technology	Waltham, MA	Stanley Ventures	33.00
22-Oct-2018	IronYun	Stamford, CT	H&Q Asia Pacific, VentureClash	30.00
30-Jun-2020	Material Security	Redwood City, CA	Andreas Von Bechtolsheim(Andreas Von Bechtolsheim), Andreessen Horowitz(Martin Casado), Andrew Houston(Andrew Houston), Harpoon, South Park Commons, WndrCo	22.00
06-Apr-2020	Flock Safety	Atlanta, GA	Axon Partners Group, Bedrock	15.80
13-Jan-2020	Culmen International	Alexandria, VA	Hale Capital Partners	15.00
23-Jul-2019	Digital Hands	Tampa, FL	Fulcrum Equity Partners	15.00

OPERATING METRICS

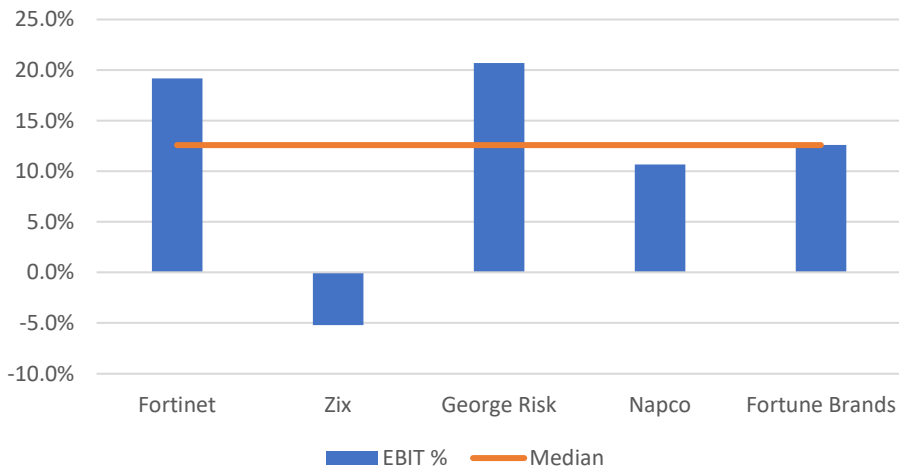
Revenue Growth



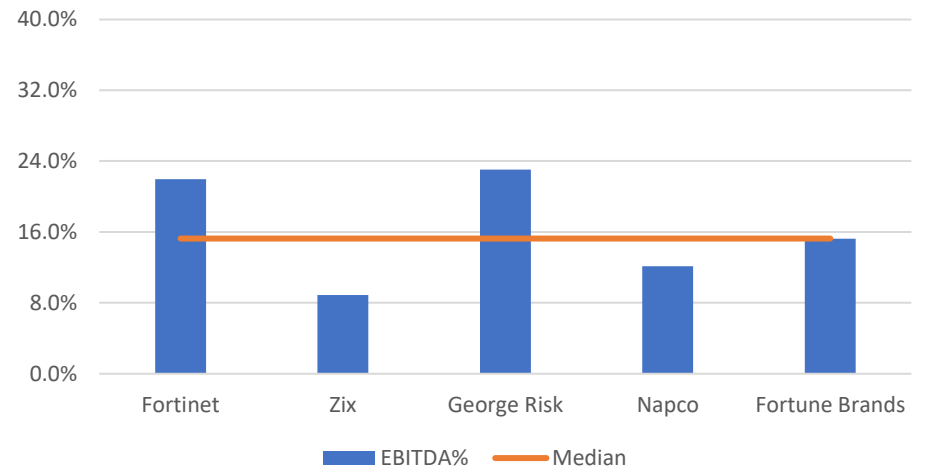
Gross Profit



EBIT

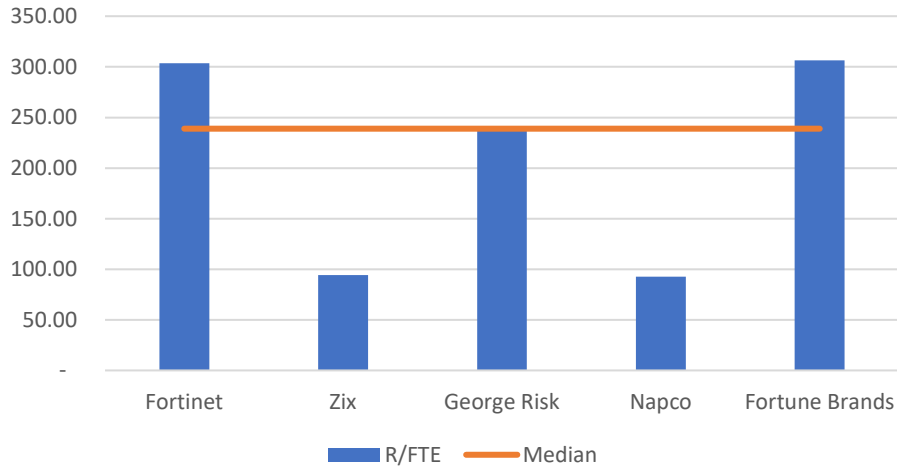


EBITDA

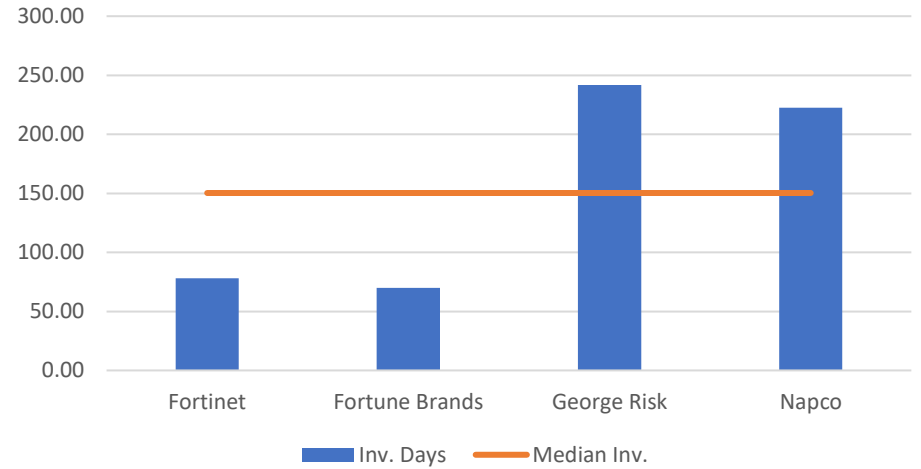


RATIO ANALYSIS

Revenue per Employee*

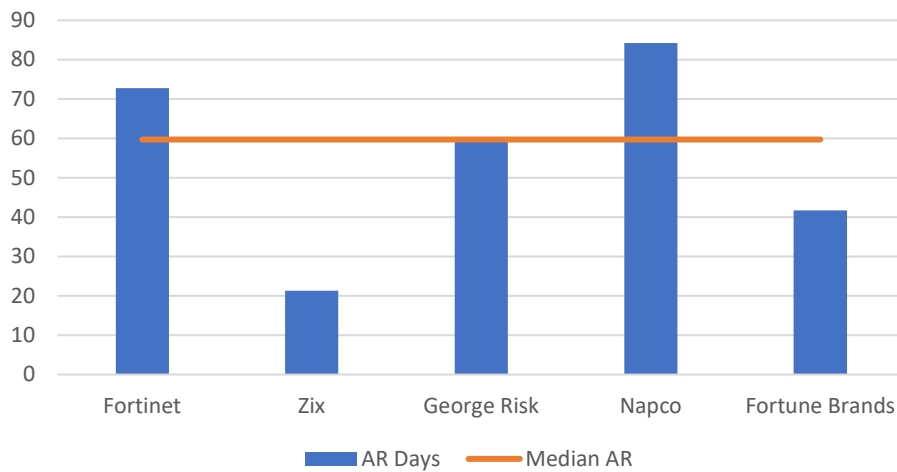


Inventory Days

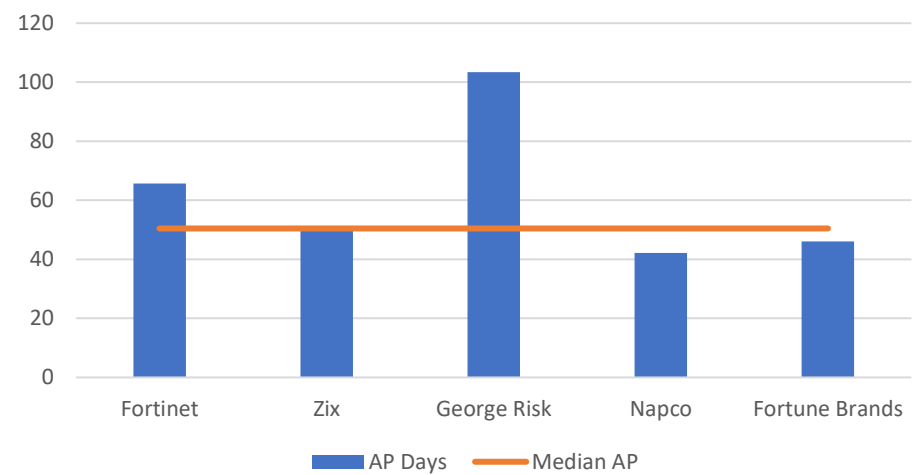


❖ Zix Corporation does not record Inventory days

AR Days

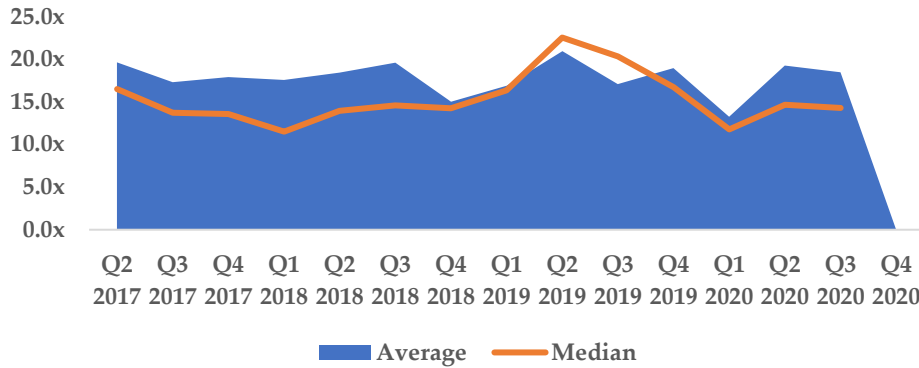


AP Days

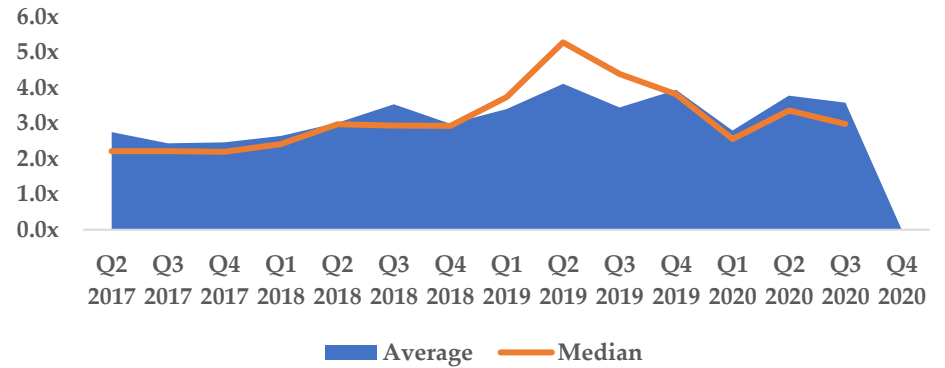


VALUATION TRENDS

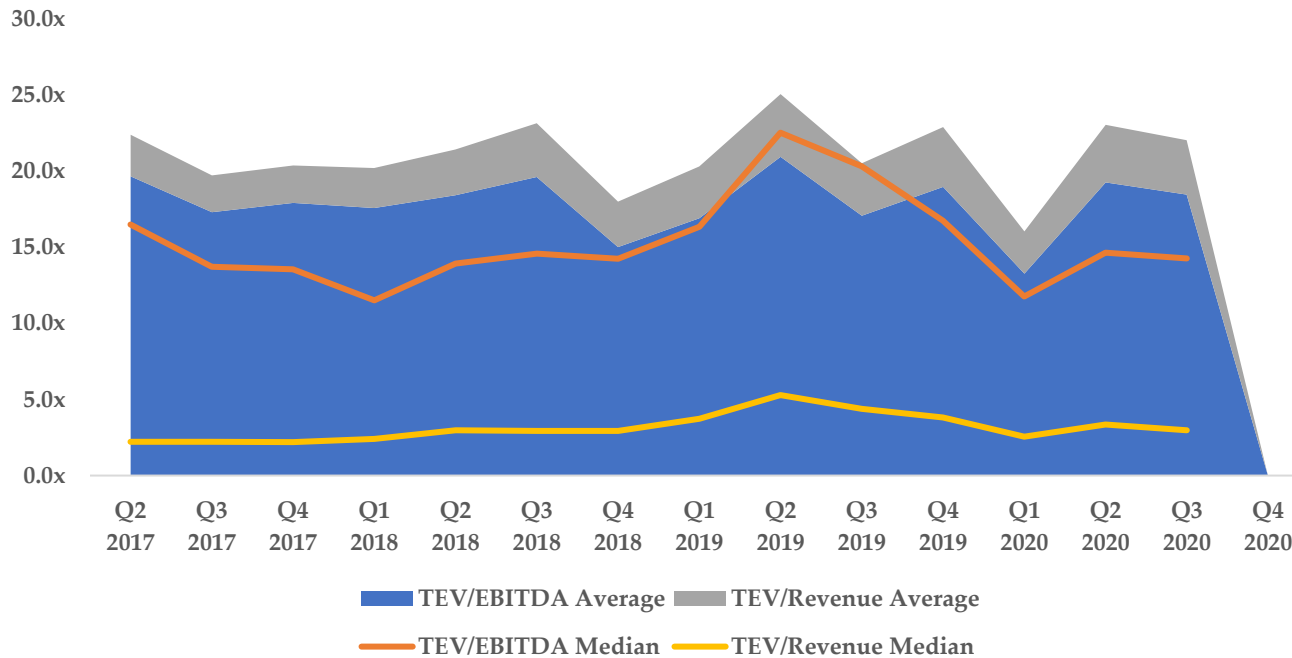
Public EBITDA Multiples Over Time



Public Revenue Multiples Over Time



Public Comps Valuation Trends

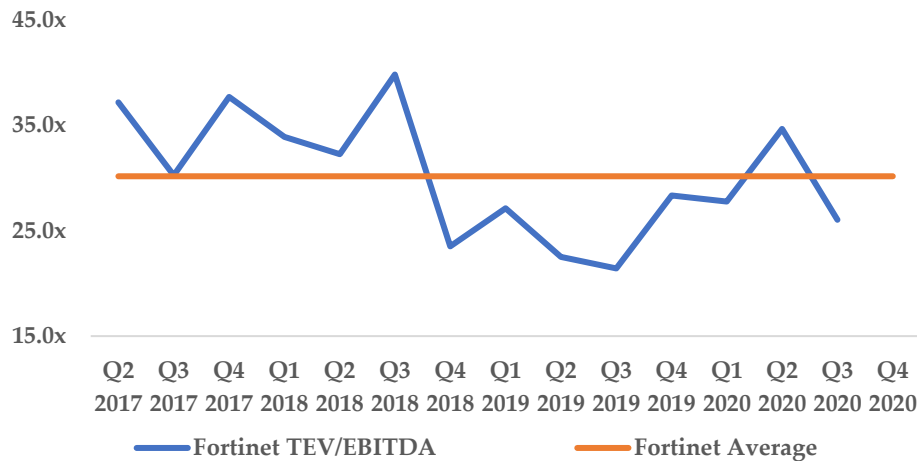


PUBLIC COMP

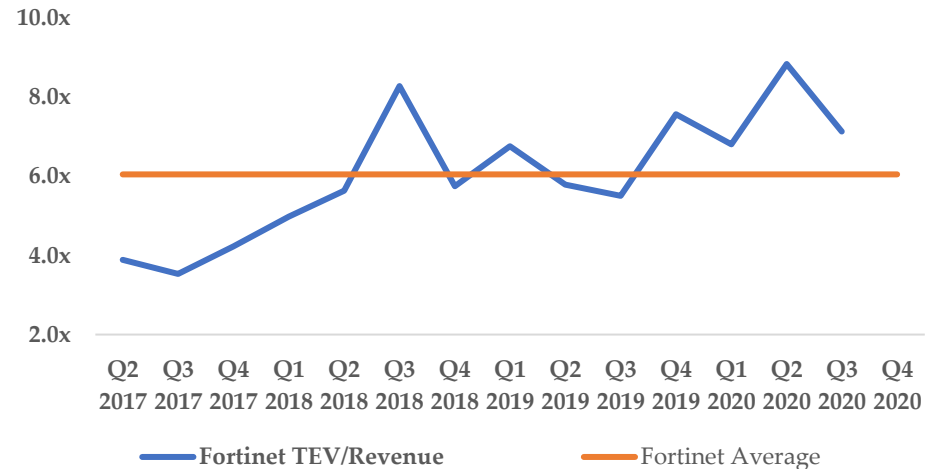
Fortinet, Inc. (NAS: FTNT)

Fortinet, Inc. provides broad, integrated, and automated cybersecurity solutions worldwide. It offers FortiGate hardware and software licenses that provide various security and networking functions, including firewall, intrusion prevention, anti-malware, virtual private network, application control, Web filtering, anti-spam, and wide area network (WAN) acceleration. The company also provides security subscription, technical support, professional, and training services. Fortinet, Inc. provides its products and services in the Americas, Europe, the Middle East, Africa, and the Asia Pacific. The company was founded in 2000 and is headquartered in Sunnyvale, California.

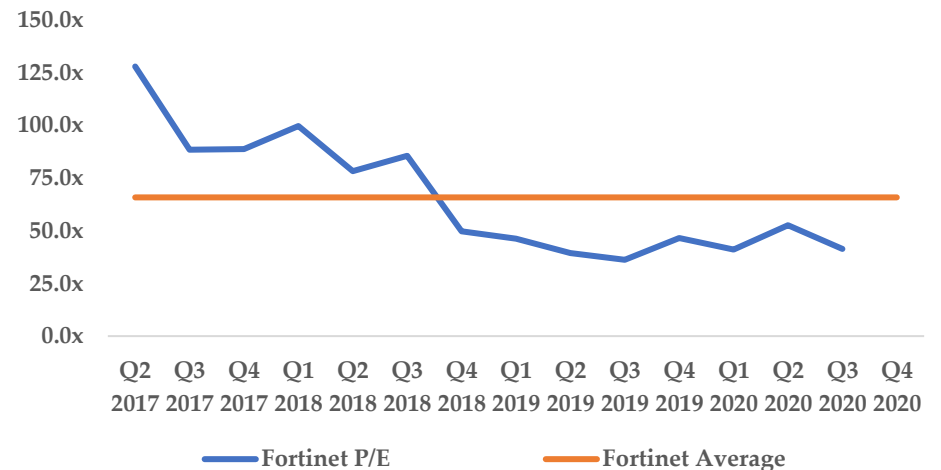
EBITDA Multiples - Fortinet



Revenue Multiples - Fortinet



P/E Multiples - Fortinet

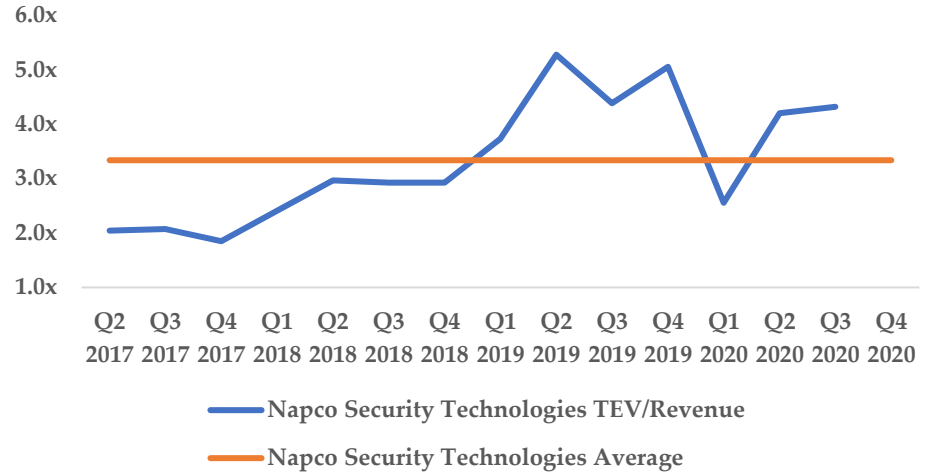


PUBLIC COMP

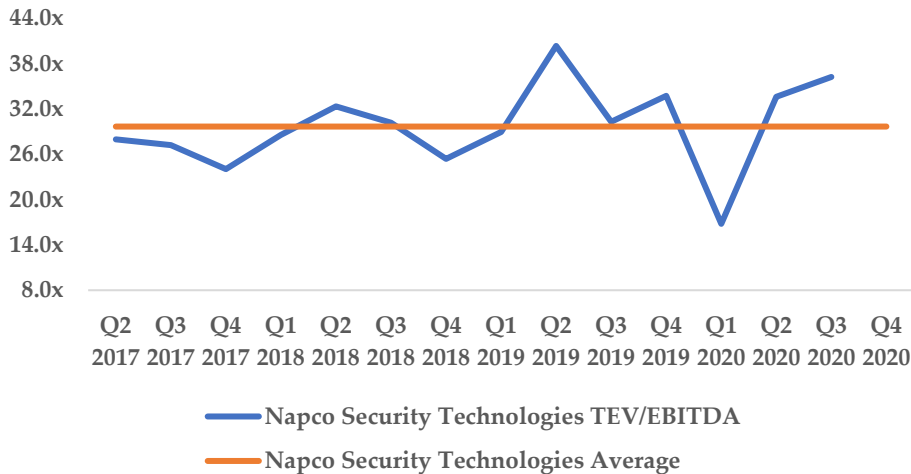
Napco Security Technologies, Inc. (NAS: NSSC)

Napco Security Technologies, Inc. manufactures and sells security products and software worldwide. The company offers access control systems, door-locking products, intrusion and fire alarm systems, and video surveillance systems for commercial, residential, institutional, industrial, and governmental applications. The company markets and sells its products primarily to independent distributors, dealers, and installers of security equipment. Napco Security Technologies, Inc. was founded in 1969 and is headquartered in Amityville, New York.

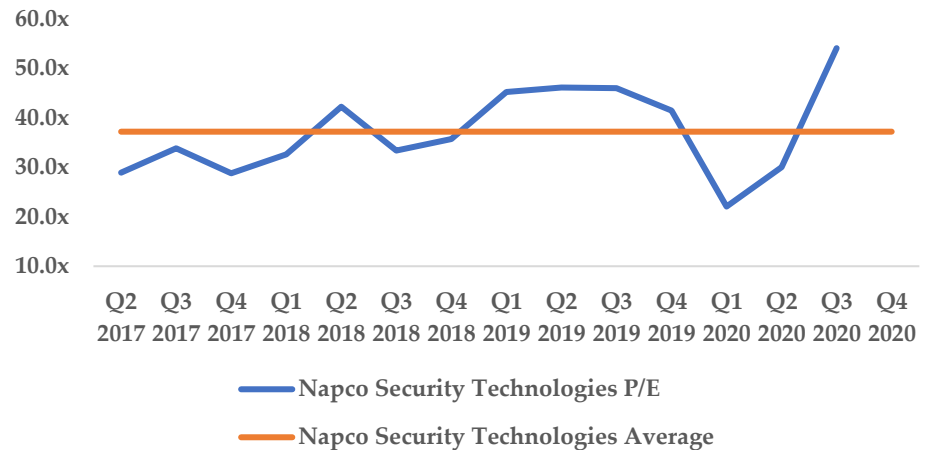
Revenue Multiples - Napco



EBITDA Multiples - Napco



P/E Multiples - Napco

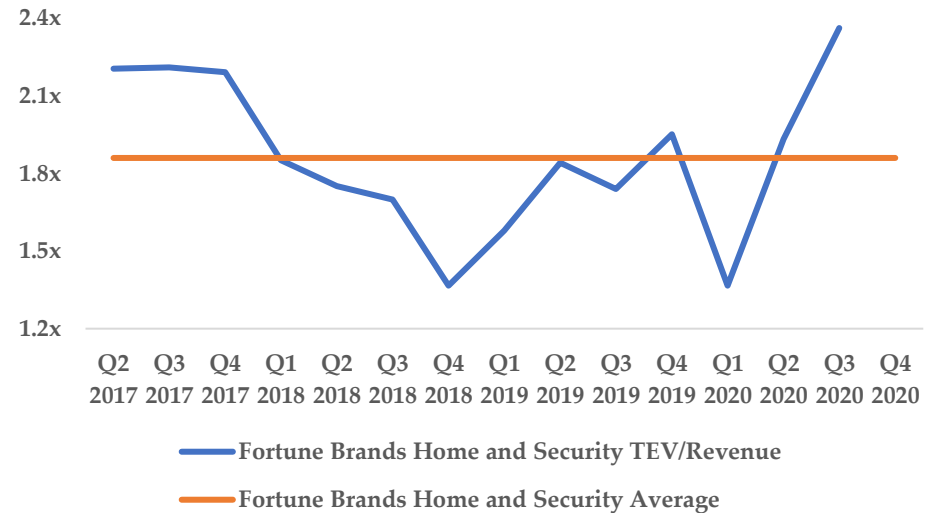


PUBLIC COMP

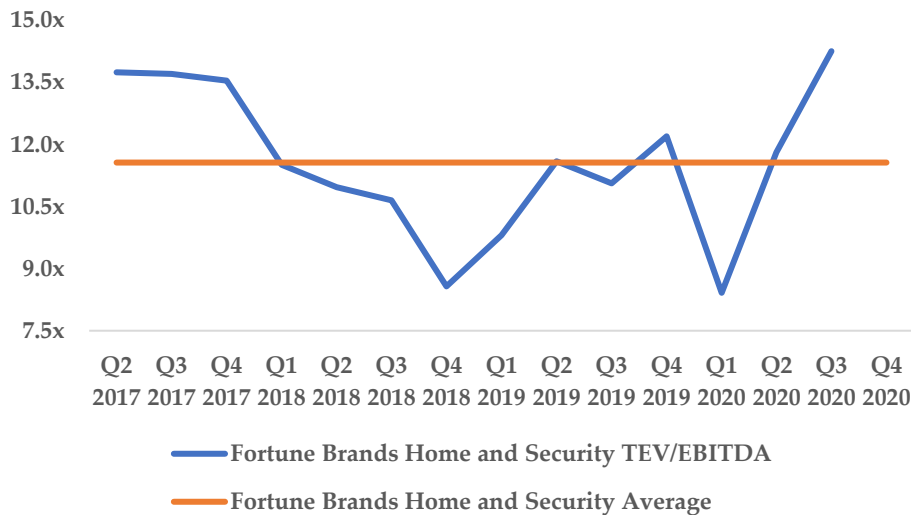
Fortune Brands Home & Security, Inc. (NYS: FBHS)

Fortune Brands Home & Security, Inc., together with its subsidiaries, provides home and security products for residential home repair, remodeling, new construction, and security applications. It operates in three segments: Cabinets, Plumbing, and Doors & Security. The Doors & Security segment manufactures, sources, and distributes locks, safety and security devices, and electronic security products under the Master Lock and American Lock brand names; and fire-resistant safes, security containers, and commercial cabinets under the SentrySafe brand name. This segment sells its products in the United States, Canada, Europe, Central America, Japan, and Australia. The company was founded in 1988 and is headquartered in Deerfield, Illinois.

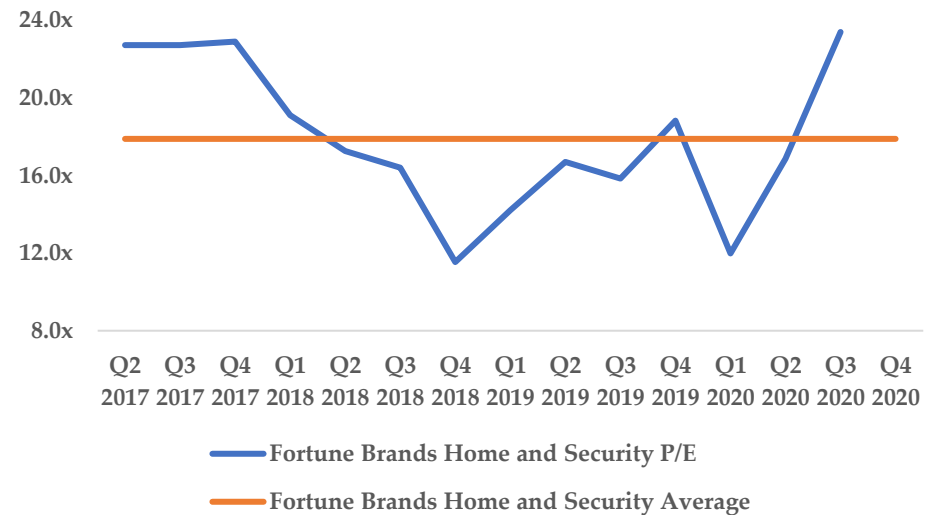
Revenue Multiples - Fortune Brands



EBITDA Multiples - Fortune Brands



P/E Multiples - Fortune Brands

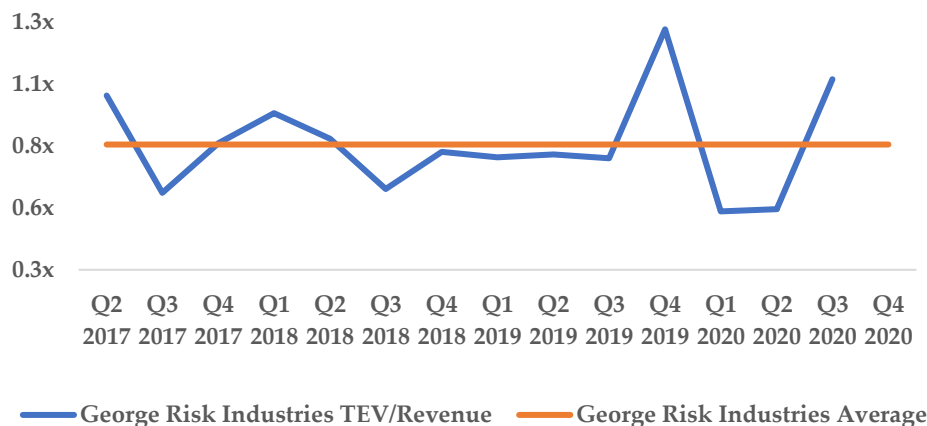


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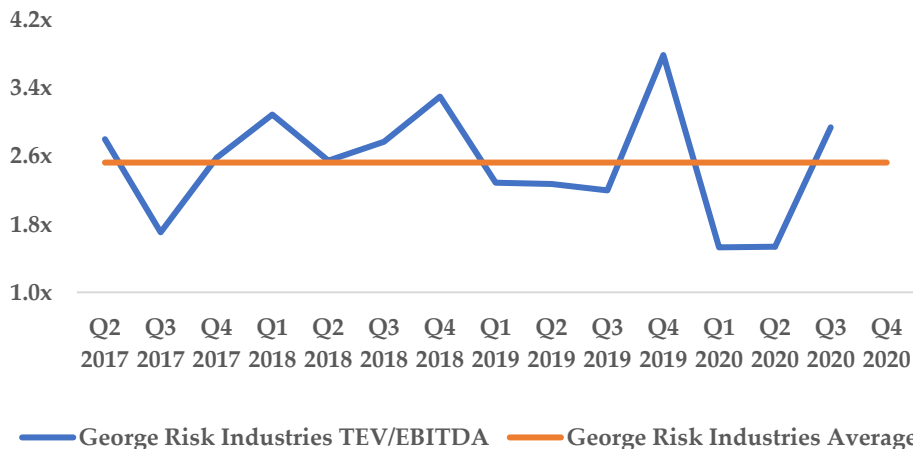
George Risk Industries, Inc. (OTC: RSKIA)

George Risk Industries, Inc. designs, manufactures, and sells various electronic components worldwide. The company offers burglar alarm components and systems, pool alarms, thermostats, EZ duct wire covers, and water sensors, as well as door and window contact switches, environmental products, wire and cable installation tools, and proximity switches. Its products are used for residential, commercial, industrial, and government installations. The company sells its products to security alarm distributors, alarm installers, original equipment manufacturers, and distributors of off-the-shelf keyboards of proprietary design. George Risk Industries, Inc. was founded in 1965 and is headquartered in Kimball, Nebraska.

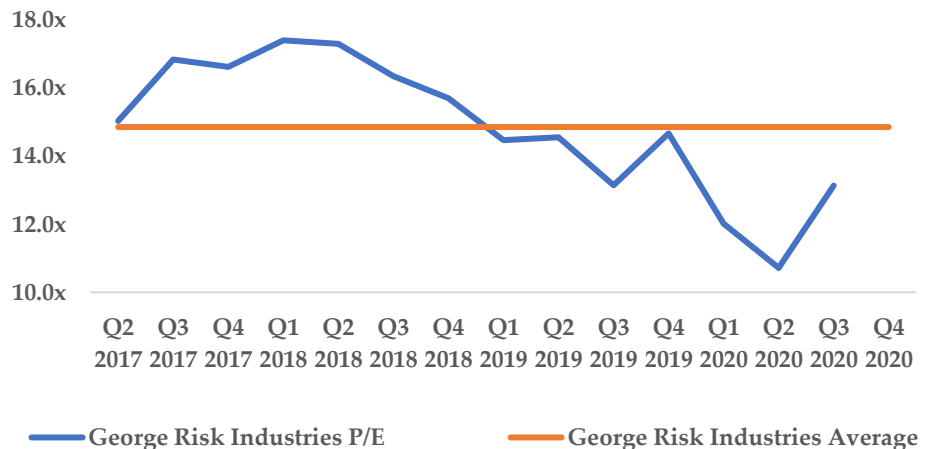
Revenue Multiples - George Risk



EBITDA Multiples - George Risk



P/E Multiples - George Risk

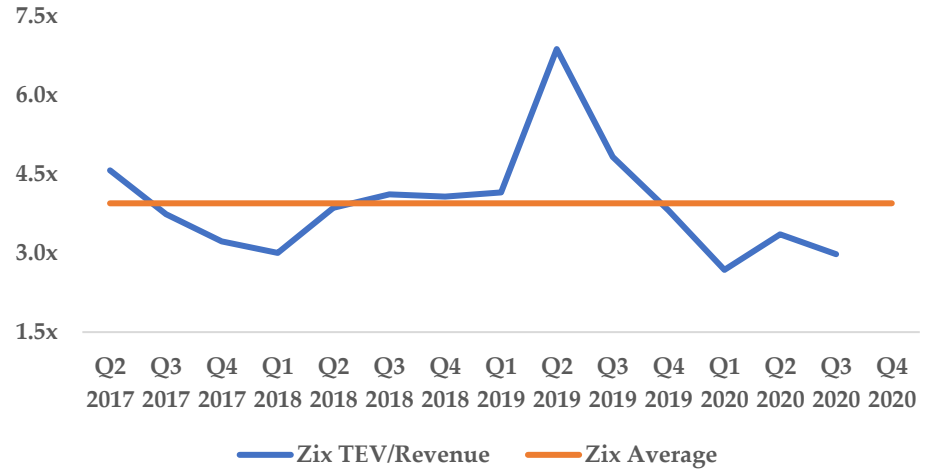


PUBLIC COMP

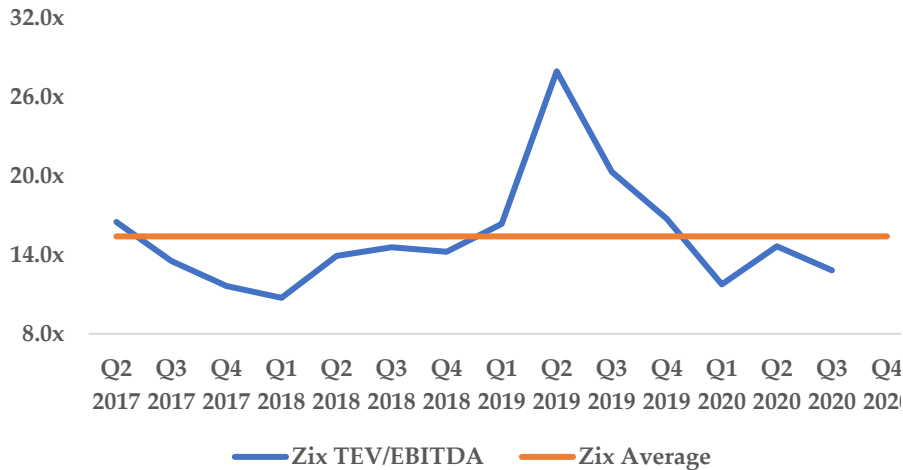
Zix Corporation (NAS: ZIXI)

Zix Corporation provides email encryption, data loss prevention (DLP), threat protection, and archiving for the secure exchange of email in the United States. It serves the healthcare, financial services, insurance, and government sectors. Zix Corporation sells its services through a direct sales force; and a network of resellers and other distribution partners. The company was formerly known as ZixIt Corporation and changed its name to Zix Corporation in 2002. Zix Corporation was incorporated in 1988 and is headquartered in Dallas, Texas.

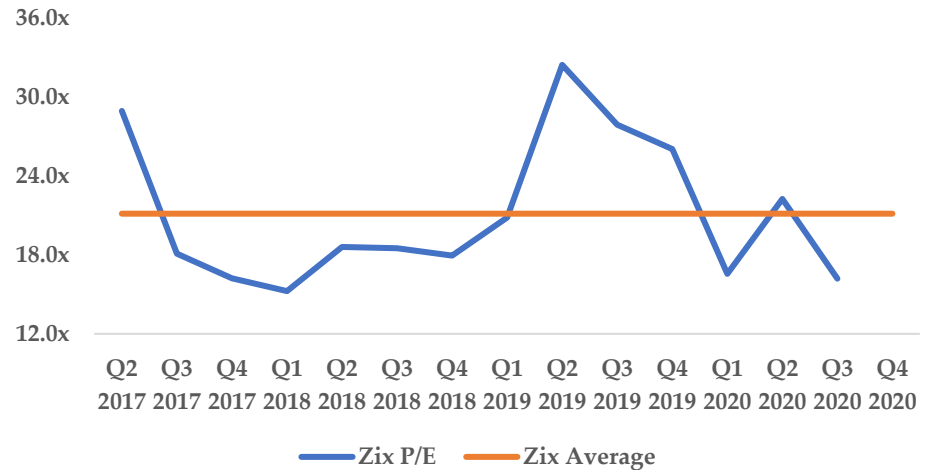
Revenue Multiples - Zix



EBITDA Multiples - Zix



P/E Multiples - Zix



DAVIDSON CAPITAL ADVISORS PROFESSIONALS

Robert S. Cashion **Managing Director, Investment Banking and Advisory Services**

Prior to joining Davidson Capital Advisors, Mr. Cashion spent over 20 years in the financial services industry. He manages the firm's overall corporate finance and consulting practice where he oversees and executes the firm's investment banking, advisory and capital raising engagements.

Mr. Cashion worked with several financial institutions and consulting firms delivering investment banking, leveraged finance, consulting and restructuring services. He worked with Bank of America Merrill Lynch and its predecessor firms in the High Grade Capital Markets, Corporate Finance and the Special Situations group.

Mr. Cashion has been involved in industry sectors including general industrial, distribution, business services, retail, technology and healthcare. Mr. Cashion holds B.A. Education, B.S. Accounting, and an MBA from the University of North Carolina. He is a Certified Public Accountant and holds FINRA 7, 63 and 79 securities licenses.



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DAVIDSON CAPITAL ADVISORS PROFESSIONALS

Elizabeth Folger **Managing Director, Institutional Client Coverage**

Prior to joining Davidson Capital Advisors, Ms. Folger spent 16 years in the financial services industry in a variety of functions, most recently with Bank of America Merrill Lynch and its predecessor firms. She manages the sales and auction processes for the firm's sell side M&A and capital raising engagements. Her deep experience in the sales and trading has resulted in excellent execution for our client's projects.

She worked in the Loan Syndication Sales Group, headquartered in Charlotte, with her primary responsibilities for sales and distribution of syndicated loans for middle market and large corporate credits. Also, Ms. Folger worked on the Corporate Bond Trading desk where she managed and traded risk positions of \$50-\$100 million of intermediate term bank and finance paper.

Ms. Folger has been involved in a variety of sectors including general industrial, distribution, business services, retail, technology and healthcare. She holds a Bachelor of Arts from Hollins University.



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DAVIDSON CAPITAL ADVISORS ANALYST TEAM

Neil Lavietes

Analyst, Investment Banking

Prior to joining Davidson Capital Advisors in 2020, Mr. Lavietes interned with Sherman and Company for the summer of 2019. He graduated from The University of Georgia in 2020 with a Bachelor of Business Administration with a major in Finance and Risk Management Insurance.

Jacob Dailey

Analyst, Investment Banking

Prior to joining Davidson Capital Advisors, Mr. Dailey interned with International Electric Power in Pittsburgh, PA. He graduated from Wake Forest University in 2019 with a BA in Economics.

Matthew Torres

Analyst, Investment Banking

Prior to joining Davidson Capital in 2020, Mr. Torres worked with Sustainable Opportunities Acquisition Corp. He graduated from University of Virginia with a Masters in Commerce with a concentration in Finance.