

## Mobile Cyber Security War: We are All on the Frontlines

On October 16, 2012, [Cyber Security Finance Forum](#) attendees in Washington, DC, received quite a wakeup call as national authorities on Cyber Security addressed the challenges we face. Retired Navy Rear Admiral Jay Cohen, a former DHS Under Secretary for Science & Technology, warned his audience, “For the first time we are at war, and everyone is on the frontline.”

Throughout the forum, attendees and presenters shared accounts of hackers and identity thieves targeting small businesses, individuals and large companies alike, because all too many of them presented “soft targets.” In one case, hackers gained access to the bank records of a small industrial business in Maine and used the information they gathered to wire \$25,000 to an account in Russia.

Even as individuals and small businesses are becoming the new frontline in the Cyber Security war, our rapidly accelerating adoption of the cloud, tablets, smartphones and other networked mobile electronics make us increasingly more vulnerable. Potential threats become infinite as data and software, continuing their migration to the cloud, are accessed by mobile devices. At the same time, unprecedented opportunities arise for technology firms that can counter Cyber Security threats.

Typically, Cyber Security threats operate on one (or more) of four fronts:

- Fraud (stealing money).
- Data theft in support of industrial or state-sponsored espionage (or simply to embarrass the target).
- Probing attacks seeking to identify vulnerabilities to be exploited in future larger attacks but without harming anything (yet).
- Nuisance attacks launched to deny service, or to shut down a service or business on the basis of philosophical or political disparity.

Clearly, there is an enormous market opportunity for enterprise software that performs tasks ranging from intrusion detection and prevention, data backup and protection, malware identification, forensics and data recovery. But what of opportunities in the mobile electronics software space? The trend is clear: applications and data are moving to the cloud to be accessed by tablets, smartphones and other wireless devices. Too often, those mobile devices are the weak link in the chain, creating the most vulnerable path for corporate or personal data. In this Bring Your Own Device (BYOD) era, such devices are uncontrolled, enabling users to download new applications with a finger swipe.

There are many opportunities in the mobile electronics market for cyber security solutions. As with any requirement in the electronics space, these functions may be implemented in software, hardware or a combination of both. Trade-off usually involve the flexibility of software versus the efficiency of offloading such key functions as encryption to a dedicated co-processor. This trade-off creates opportunities for companies providing software tools, middleware or silicon intellectual property (IP).

Security requirements for mobile platforms include:

- Data encryption and authentication: How do I know my Facebook chat conversation is not being intercepted at Starbucks? How do I know that my Yahoo! email password is not being passed in clear text?
- Payment card processing: How do I make sure my credit card number is not compromised when I make a purchase? How do I make sure that I don't get improperly charged when using near field communications (NFC)?
- Voice encryption: How do I make sure my wireless or VoIP call is not intercepted? How does law enforcement ensure that it can be intercepted?
- Malware prevention: How do I know if my smartphone has malware and what do I do about it?
- Prevention of denial of service attacks: What happens when a critical mobile device is targeted by a packet flood attack?
- Digital Rights Management: How does Marvell Studios know if the copy of Avengers I am watching on my tablet is legit?

- Data protection and theft recovery: If my device is stolen, how do I prevent theft of my data and retain my data for my future use? How do I find my stolen device?
- Forensic triage: If law enforcement or intelligence agencies seize a device in an investigation, how do they determine quickly if actionable intelligence or illegal materials exist on the device?
- User authentication: How does my phone or tablet know that it's really me?
- Spyware: How can companies be sure that Bob the deliveryman is really driving his truck instead of sitting at home? How do companies ensure that employees are not using company-provided equipment to access forbidden websites?
- Network monitoring and policy enforcement: How can I determine what wireless devices (mobile and WiFi) are in my office? How do I know whether they are approved or rogue? How do I identify and shut down those that are not approved?
- Application testing: How do we know for sure that the free Smash-The-Pig game's latest update didn't install malware?

The M&A outlook for companies in the Cyber Security market is very promising. Several of the [Cyber Security Finance Forum's](#) speakers discussed the fiscal cliff, sequestration and eventual defense spending cuts. But the overriding sentiment was that Cyber Security spending will not be cut and, in fact, will probably increase, causing more integrators and contractors to grow their businesses by acquiring expertise in the Cyber Security arena. This will trickle down into the mobile electronics space as well. We will continue to see chip and hardware companies buy security software and IP companies for one reason: they have to.

The McLean Group recently was named by Global Security Finance as one of the top 10 Financial Advisors (Investment Banks) for M&A transactions in the Cyber Security space. You can download the entire report [here](#).

## Will M&A Reignite in the Operating System Market?

On August 28, 2012, [Xilinx acquired Petalogix](#), an embedded Linux platform provider for Field Programmable Gate Arrays (FPGA). This acquisition is one of many embedded operating system acquisitions made by chip companies, hardware companies, and larger tool companies in the last decade. Examples include (Buyer/Target):

- Intel/Wind River Systems
- Nokia/Symbian
- Mentor Graphics/Accelerated Technology
- Cavium Networks/MontaVista
- Research in Motion/QNX

Companies pondering this integration strategy must weigh the benefits of being able to control both the hardware and the OS (the Apple model) versus leveraging external partners for the OS (the Microsoft/Intel model or an open-source model). Strategic buyers must consider such factors as the cost of supporting and maintaining a target OS internally, the cost of acquiring and integrating the target company, and other potential costs. These factors are weighed against the additional revenue to be gained by offering a better, more tightly integrated, and more directly supported product. Will the integration by acquisition trend continue? You can read the entire blog at EBN/EE Times [here](#).

## The McLean Group Receives Notable Recognitions and Awards

This spring and summer, The McLean Group received several awards and honorable designations, including UK-base [Acquisition International's USA Middle Market Investment Bank of the Year](#) award, marking the culmination of a 6 month search for the very best M&A teams in the world—those that have shown the greatest strength amid on-going global economic uncertainty. [Global Security Finance 250](#), an annual reference source that includes league tables and analyses of financing and M&A trends in the security sector, listed The McLean Group as a top financial advisor. McLean Group principal Cameron Hamilton received a [40 Under 40 M&A Advisor Award](#) and Senior Managing Director John Rovani was named an [International M&A Advisor Awards' Dealmaker of the Year](#) finalist.

## Notable Transactions and News

**Digia** announced that it had signed an agreement to acquire **Qt** software technologies and Qt business from Nokia. Following the acquisition Digia becomes responsible for all the Qt activities formerly carried out by Nokia. These include product development as well as the commercial and open source licensing and service business. Following the acquisition, Digia plans to quickly enable Qt on Android, iOS and Windows 8 platforms. Transaction value was \$5 million.

**Nuance Communications, Inc.** (NASDAQ: NUAN) announced it signed an agreement to acquire **Ditech Networks, Inc.** (NASDAQ: DITC). Ditech Networks' voice technologies, including the company's Voice Quality Assurance (VQA) technology and PhoneTag voicemail-to-text services, will further enhance Nuance's portfolio of mobile and enterprise voice offerings.

**General Dynamics** (NYSE: GD) acquired **Open Kernel Labs, Inc.** (OK Labs), expanding its capabilities as a provider of secure mobile devices for public safety, civilian, military and commercial customers as well as in-vehicle infotainment systems (IVI) for the commercial market. OK Labs, a Chicago-based, privately-held corporation, is a leading provider of virtualization software for securing wireless communications, applications and content for mobile devices and automotive in-vehicle infotainment systems. The value of the cash transaction has not been disclosed.

**Xilinx, Inc.** (NASDAQ: XLNX) announced its acquisition of embedded Linux solutions provider **PetaLogix**. As Linux solutions become must-haves for a growing number of embedded applications relying on Xilinx All Programmable technologies, the addition of PetaLogix and its PetaLinux technology strengthens Xilinx's capabilities and commitment to customers to provide the best Linux solutions possible.

**Thoma Bravo LLC** will acquire **Deltek Inc.** for about \$950 million, a deal that comes about two months after the software company put itself up for auction. Deltek's software helps clients—mainly federal contractors and professional services firms—manage customer information, revenue, financial compliance and expenses. Such companies as Deltek have profited from government demand for information-technology services.

## Deal Trends

Seller Type	Number of Deals			Average Deal Value (\$M)			EV/Revenue		
	2010	2011	2012 YTD	2010	2011	2012 YTD	2010	2011	2012 YTD
Operating System S/W	61	50	39	188	40	15	9.49	1.59	7.89
Semiconductor	163	192	110	112	257	286	4.72	4.56	2.88
Enterprise S/W	657	702	480	77	177	206	2.57	2.46	2.83
S/W Development Tools	71	51	39	255	43	27	2.41	3.23	2.8
Drawing, Imaging, Multimedia S/W	41	65	31	74	23	29	26.6	2.64	2.53
IT Infrastructure & Networking Services	119	121	80	120	71	70	1.32	1.61	2.03
Communications Hardware	289	308	209	168	162	71	1.83	2.71	1.97
IT Consulting Services	728	751	496	41	62	61	2.06	1.08	1.82
Security Software	63	55	35	544	32	9	2.93	9.47	1.64
Engineering Design Services	20	22	14	12.9	10	30	0.51	1.41	0.37
Networking, Monitoring S/W	14	15	2	215	110	40	6.03	8.9	N/A

\*Source: Capital IQ  
Year to Date as of October 20, 2012

## Recent Transactions

Date	Target	Buyer	Deal Value (\$ M)	EV / Revenue (x)
10/19/2012	OpenTech Systems, Inc.	Rocket Software, Inc.	-	-
10/16/2012	StorSimple, Inc.	Microsoft Corporation (NasdaqGS:MSFT)	-	-
10/16/2012	Cabana	Twitter, Inc.	-	-
10/9/2012	Corner Bowl Software Corporation	SpectorSoft Corporation	-	-
10/8/2012	Appercut Security Ltd.	ZAO InfoWatch	-	-
10/5/2012	Marvin Mobile Security	Veracode, Inc.	-	-
10/4/2012	vCider, Inc.	Cisco Systems, Inc. (NasdaqGS:CSCO)	-	-
10/3/2012	42Six Solutions, LLC	Computer Sciences Corporation (NYSE:CSC)	-	-
10/1/2012	Heiler Software AG (XTRA:HLR)	Informatica Deutschland AG	107.89	3.65
9/24/2012	Butterfly Software Ltd.	International Business Machines Corporation (NYSE:IBM)	-	-
9/18/2012	Ditech Networks, Inc. (NasdaqGM:DITC)	Nuance Communications, Inc. (NasdaqGS:NUAN)	39	1.1
9/17/2012	Modesat Communications OÜ	Xilinx Inc. (NasdaqGS:XLNX)	-	-
9/17/2012	Evolution Robotics Inc.	iRobot Corporation (NasdaqGS:IRBT)	74	-
9/13/2012	FastSoft, Inc.	Akamai Technologies, Inc. (NasdaqGS:AKAM)	-	-
9/13/2012	SenSage, Inc.	The KEYW Holding Corporation (NasdaqGS:KEYW)	35	7.84
9/11/2012	Perfect Costing Solutions GmbH	Siemens Product Lifecycle Management Software Inc.	-	-
9/10/2012	Lodestone Management Consultants AG	Infosys Ltd. (BSE:500209)	349	-
9/10/2012	Poole & Associates, Inc.	The KEYW Holding Corporation (NasdaqGS:KEYW)	126	-
9/10/2012	Paragon Global Technology Incorporated	CA Technologies (NasdaqGS:CA)	-	-
9/5/2012	Copiun, Inc.	Good Technology, Inc.	-	-
8/29/2012	Redemtech, Inc.	Arrow Electronics, Inc. (NYSE:ARW)	-	-
8/28/2012	PetaLogix Qld Pty Ltd.	Xilinx Inc. (NasdaqGS:XLNX)	-	-
8/28/2012	Polymita Technologies S.L.	Red Hat, Inc. (NYSE:RHT)	-	-
8/27/2012	Deltek, Inc (NasdaqGS:PROJ)	Thoma Bravo, LLC	1071	3.02
8/27/2012	Kenexa Corp. (NYSE:KNXA)	International Business Machines Corporation (NYSE:IBM)	1397	4.11
8/23/2012	DesignArt Networks Ltd.	QUALCOMM Incorporated (NasdaqGS:QCOM)	-	-
8/21/2012	Sky Technologies Pty Ltd.	Kony Solutions, Inc.	-	-
8/20/2012	Fidelis Security Systems, Inc.	General Dynamics Advanced Information Systems, Inc.	-	-
8/16/2012	Computational Research Laboratories Limited	Tata Consultancy Services Limited (BSE:532540)	34	-
8/14/2012	MStar Semiconductor, Inc. (TSEC:3697)	MediaTek Inc. (TSEC:2454)	2177	2.59
8/13/2012	Comverse Technology Inc. (NasdaqGS:CMVT)	Verint Systems Inc. (NasdaqGS:VRNT)	1540	0.705
8/9/2012	Qt Development Frameworks	Digia Oyj (HLSE:DIG1V)	5	-
8/9/2012	Cavalier Wireless, LLC	AT&T, Inc. (NYSE:T)	-	-
8/8/2012	Servigistics, Inc.	Parametric Technology Corporation (NasdaqGS:PMTC)	220	2.75
8/7/2012	Agile Advantage, Inc.	Rally Software Development Corp.	-	-
8/7/2012	Pattern Insight Inc., Log Insight Platform	VMware, Inc. (NYSE:VMW)	-	-
8/3/2012	Ovonyx, Inc.	Micron Technology Inc. (NasdaqGS:MU)	12	-
8/2/2012	Pepperweed Consulting, LLC	Avnet Technology Solutions, Inc.	-	-
8/2/2012	GameSpy Industries, Inc.	Glu Mobile, Inc. (NasdaqGS:GLUU)	3	-
8/2/2012	Grass Valley USA, LLC	PARTER Capital Group GmbH	-	-

\*Source: Capital IQ

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## THE MCLEAN GROUP TECHNOLOGY & TELECOMMUNICATIONS SERVICES PRACTICE

The Washington, DC area incubates a large number of technology companies serving the federal government, telecommunications and Internet industries. Many government agencies and corporations produce a steady stream of entrepreneurs who establish and grow successful regional middle market businesses.

We have served these regional technology firms among others nationally and worldwide. Whether product- or service-oriented, our research, analysis, valuation and investment banking professionals have experience with a broad array of technology companies. We are well-equipped to help our clients build value and close successful transactions.

### Select Technology & Telecommunications Engagements

 acquired by  	 acquired by  	 acquired by  	 acquired by  
 acquired by  	 acquired by  	 Business Valuation 	 Financial & Strategic Advisory 

## THE MCLEAN GROUP OVERVIEW

The McLean Group is an investment bank providing mergers and acquisitions (M&A), business valuation and strategic consulting services to middle market businesses. Headquartered in the Washington, DC metropolitan region, the firm serves domestic and international clients and has a broad resume of successfully consummated financial transactions. Our research staff leverages state-of-the-art, proprietary corporate information and transaction data, providing our clients with unmatched information on which to make transaction decisions.