The Future of Enterprise Mobility: Part II

Strategic Options for Mobile Security Firms
Evolution to a Mobile World

Computing and Global IT Ecosystem

- Mainframes
  - 1M
  - 1970
- Microprocessors
  - 10M
  - 1980
- PCs
  - 100M
  - 1990
- Desktop Web
  - 1B
  - 2000
- Mobile Web
  - 10B
  - 2010

Mobile Web

1B

10B

100M

10M

1M

Evolution to a Mobile World
Evolution to a Mobile World

PC Industry

- 370M PC’s sold in 2012
- Est. 1.8b PC’s currently in use worldwide
- Accepted lifespan is 3 – 5 years
- Often shared amongst different users
- Laptops are quasi-portable and accessible while desktops are static
- Hardware Centric “My Device, My PC”

Mobile Industry

- Est 1.9b units sold worldwide in 2012
- 3.5b mobile users, over 50% of the world’s population
- Accepted lifespan is 2-3 years
- Unique end user
- Can be taken and used anywhere
- Information Centric “My Data”

PCs are turning into traditional servers, used for large data storage, media collection, backup.

Smart devices are the new PCs, with functionality and usage converging with traditional PC usage.
Evolution in Enterprise Mobility

**Mobile**
- 2010: Mobile devices exceed PCs
- 2011: 25% of enterprise communication on phone
- 2012: 50% of enterprise communication on mobile

**Sales**
- 2010: PC purchases by consumers surpass enterprise sales
- 2011: Flat & declining PC sales
- 2012: Tablet device sales exceed PCs

**Apps**
- 2010: Enterprise mobile apps duplicate/appify PC based software functions
- 2011: Workflows uncaptured by PC software automated by
- 2012: Mobile begins to replace legacy/PC software

**Vendors**
- 2010: Small App Dev teams create first enterprise apps
- 2011: More established players enter market
- 2012: M&A market for enterprise mobile heats up
Types of Mobile Security

**Encrypt in-transit data:** on the way to the device and on the way to the cloud. Can be unencrypted inside the app by providing the appropriate credentials.

**Encrypt the app itself:** Build a container around the app, allowing it to be updated and removed remotely. If your device is stolen, all data can be wiped from only that app rather than the entire phone.

**Secure the physical device:** Via passwords, fingerprint scanners, etc. Most traditional and basic method of protection. Most MDM vendors offer this already.
Goals of Mobile Security

Facilitate secured access to enterprise data
Ensure information confidentiality and that only those with permission access it

Protect devices
From malware, network and engineer-based attacks, and loss of data

Secure connections
Protect connections from infiltration, corruption and abuse

Remote control
Allow user to locate device from other devices and to wipe data remotely

Average cost of a breach is $5.5 million

59% of organization experiences an increase in malware infection due to insecure mobile devices

174 million records were stolen in 855 data breaches

51% of organization have had data loss due to insecure devices

Source: Cisco, Verizon Business, Ponemon Institute
Mobile Security Service Market

Worldwide revenue for mobile security rose 58.7% in 2012, to $964 million.

Enterprises recognize the potential for growth and are acquiring the best mobile security solutions firms for the highest premiums, now.

AirWatch, a global leader and innovator in mobile device security and enterprise mobile management, secured a $200M Series A Round last February after initially only receiving $25M in financing. This is a clear signal that acquisitions to build out mobile work suites are about to explode.

Recent MDM Funding Rounds ($M)

- Zenprise: $30
- MobileIron: $40
- Domo: $60
- Good Technology: $60
- Airwatch: $225
Mobile Security Service Market

Worldwide revenue for mobile security rose 58.7% in 2012, to $964 million.

+ 7 billion new smartphones and tablets will be shipped worldwide.

Increasing popularity of BYOD: Trend forcing firms to prioritize mobile security.

To accommodate this enterprises are acquiring mobile security solutions firms. Recently, Intel alone has made 3 massive acquisitions.

- May, 2013: Stonesoft, $389 million
- September, 2013: Sensory, $20 million
- February, 2011: McAfee, $7.7 billion.
Mobile Security Service Market

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- Increasing popularity of BYOD: Trend forcing firms to prioritize mobile security.

Strong Growth of BYOD Seen Globally - Countries are Happier and Providing Great Support
Mobile Security Service Market

Acquisitions are increasingly preferred to IPOs. When large players move into the space, that’s when the peak multiples are paid. Afterwards you’re left with second tier players who won’t pay premiums.

There is a trend of decreasing multiples as large players buy the companies they want, meaning that waiting to get acquired may actually result in your company being worth less in the future – even if revenues increase.

Since 1999, the percentage of all IPOs that are tech companies has plummeted from 69% to 16%.

Much competition but no breakaway leader.

Security will become a basic requirement for all enterprise mobility management (EMM) solutions.
Enterprises are eager to come out on top and are acquiring now to establish their foothold in the industry.

As more organizations expand their operational activities through an online presence and rely on new technologies to manage business processes, firms focused on addressing IT security have become highly attractive targets for acquisition.

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Mobile Security Service Market

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Employees engage in risky behavior
- Don't verify security settings
- Click link on social media sites
- Use work email for personal online activities
- Store work passwords on device
- Use cloud service to send/share work docs without IT permission
- Lost device used for work

Much competition but no breakaway leader.

Security will become a basic requirement for all enterprise mobility management (EMM) solutions.

By 2016
- 2/3 of the mobile workforce will own a smartphone
- 40% of the workforce will be mobile

Source: Gartner
## Benefits of a Mobile Centric Enterprise

<table>
<thead>
<tr>
<th>Deeper Customer Relationships</th>
<th>Making Data Capture More Accurate &amp; Efficient</th>
</tr>
</thead>
<tbody>
<tr>
<td>Modernizing &amp; Mobilizing Legacy Interfaces</td>
<td>New Product Development and Revenue Capture</td>
</tr>
<tr>
<td>Automation of Workflows</td>
<td>Real-Time Workforce and Customer Collaboration</td>
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<tr>
<td>Data Available at All Times</td>
<td>Stronger ROI</td>
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M&A Landscape

- FY 2013 M&A volume is on pace to reach 348 transactions, a marked increase over 2012’s 235 transactions.
- Mobile software M&A now accounts for 15.9% of all software M&A transactions, up from 3.7% in 1Q10.
Mobile enterprise M&A exploded in 2012.

Buyers are increasingly utilizing M&A to address enterprises struggling with the BYOD phenomenon to fully capture the potential for mobile apps/web to accelerate their business with the new technologies.

Source: Capital IQ
## Recent Mobile Security Acquisitions

<table>
<thead>
<tr>
<th>Date</th>
<th>Acquirer</th>
<th>Target</th>
<th>Target Description</th>
<th>Strategic Rationale</th>
<th>Deal size TEV ($M)</th>
<th>LTM Rev. ($M)</th>
<th>TEV / LTM Rev (x)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1/22/14</td>
<td>VMware</td>
<td>Airwatch</td>
<td>Aiwatch provides Mobile Device Management software and mobile security management software</td>
<td>Adding enterprise mobile management services to computing portfolio</td>
<td>$1,540</td>
<td>$100</td>
<td>15.4x</td>
</tr>
<tr>
<td>1/6/14</td>
<td>Sysorex</td>
<td>Air Patrol</td>
<td>Provides mobile identification and security software</td>
<td>Integration with other Big Data and cybersecurity offerings</td>
<td>$14</td>
<td>$1.3</td>
<td>10.7x</td>
</tr>
<tr>
<td>11/14/13</td>
<td>IBM</td>
<td>Fiberlink</td>
<td>Provides mobile divide application management and mobile security software</td>
<td>IBM seeking to build industry leading mobile services unit</td>
<td>$300</td>
<td>$50</td>
<td>6.0x</td>
</tr>
<tr>
<td>7/27/12</td>
<td>Apple</td>
<td>AuthenTec</td>
<td>Provides mobile security, identity management, and touch control solutions</td>
<td>Incorporate software and hardware into future iOS devices</td>
<td>$356</td>
<td>$71</td>
<td>4.7x</td>
</tr>
</tbody>
</table>
Other Emerging Mobile Trends

The New Rules of the Game

1. **Rapid** and much shorter innovation cycles--mobile enterprise apps will ramp much faster than enterprise web apps did a decade ago

2. **Convergence** between enterprise mobile and communications, commercial, social networking, and legacy software

3. **Extensive** opportunities in emerging markets--leapfrog license software entirely

4. **Symbiotic** and parallel growth--OEMs, app developers, telecoms, middleware providers, big data analytics firms

5. **M&A** will continue apace. Best mobile innovations have incubated through small and nimble startups and larger firms need to build extensive solution sets

6. **Appification** will change users from thinking about “my device” to “my data.” Will demand access to data via mobile devices from anywhere
Enterprises will migrate to managed mobility services for operational and strategic benefits.

Elements of Mobility

Source: Yankee Group
About MergerTech

By Technology Entrepreneurs, For Technology Entrepreneurs

MergerTech’s mission is to enable small to medium-sized technology companies to realize the value of their business. As the only investment banking firm exclusively focused on this space, we apply our deep domain expertise and global knowledge of buyers to deliver three key values: fast introduction to buyers, best terms and value, and greatest certainty of deal closure.

Experience in Building and Selling Technology Companies

MergerTech investment bankers have decades of experience in technology solutions and services businesses. We have founded, grown and sold technology companies ourselves, so we speak your language and recognize your company’s best selling points. It’s no wonder we’ve completed over 100 engagements with buyers and sellers across the globe.

Helping Sellers Convert Work Into Wealth

MergerTech leaders have expertise in all aspects of technology investment banking, including mergers and acquisitions, capital raises for growth or recapitalization, and a spectrum of advisory services. Step by step, we help you prepare and present your company for the best possible outcome. As a result, you move quickly past preparing for a sale and get down to negotiating a sale with multiple buyers.
Our Recent Transactions

- **WPP** has sold an interest to Mutual Mobile in this transaction. August 2013
- **AppFog** has been acquired by CenturyLink. June 2013
- **Axium** has been acquired by 2ndWave Software. December 2012
- **Geoloqi** has been acquired by Esri. October 2012
- **Vital Networks** has been acquired by Project Leadership. August 2012
- **CrowdCompass** has been acquired by Elevate. June 2012
- **WiseWindow** has been acquired by KPMG. April 2012
- **Small Society** has been acquired by @WalmartLabs. January 2012

Categories:
- Mobile App Development
- Cloud Infrastructure
- Enterprise Software
- Geolocation
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