

MergerTech Intelligence Report: IT Security Now A Critical Business Focus

SERVER BREACHES SPUR IT SECURITY INVESTMENT

IT Security M&A enters Q3 with strong momentum as a series of costly and high profile server breaches at several Fortune 500 companies have made the guarantee of data and operational integrity an exigent priority for commercial and public sector organizations. 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. We profile one such recent transaction in our second MergerTech Intelligence Report.

IDENTIVE GROUP

Identive Group (NasdaqGM: INVE) Acquires idOnDemand Inc.

Transaction Value:
\$5.9 Million

Transaction Structure:
Stock, Cash, and Earnout

Identive Group (NasdaqGM: INVE) has acquired idOnDemand Inc. for \$5.9 million. The acquisition, which closed on May 2, 2011 includes \$2.4 million in cash, 995,675 shares of stock of Identive Group valued at \$3.5 million, plus an earnout of up to \$21 million in common stock contingent on undisclosed performance watermarks within the next 44 months. Shares issued at closing will be subjected to a 24 month lock-up interregnum, released in equal installments over a 12 month period, with total Identive shares issued as consideration capped at 19.9% of common stock as of April 29, 2011. idOnDemand's founder and CEO Jason Hart will continue to manage the firm as a business unit within Identive Group.

Founded in 1990 as SCM Microsystems and headquartered in Santa Ana, California, Identive Group is an internationally oriented provider of security logistics and identity management technology products. With a present market cap of \$132 million, Identive Group generated \$90 million in revenue in 2010 through marketing access control, digital identity, secure data storage, and biometric services to public and private sector clients.

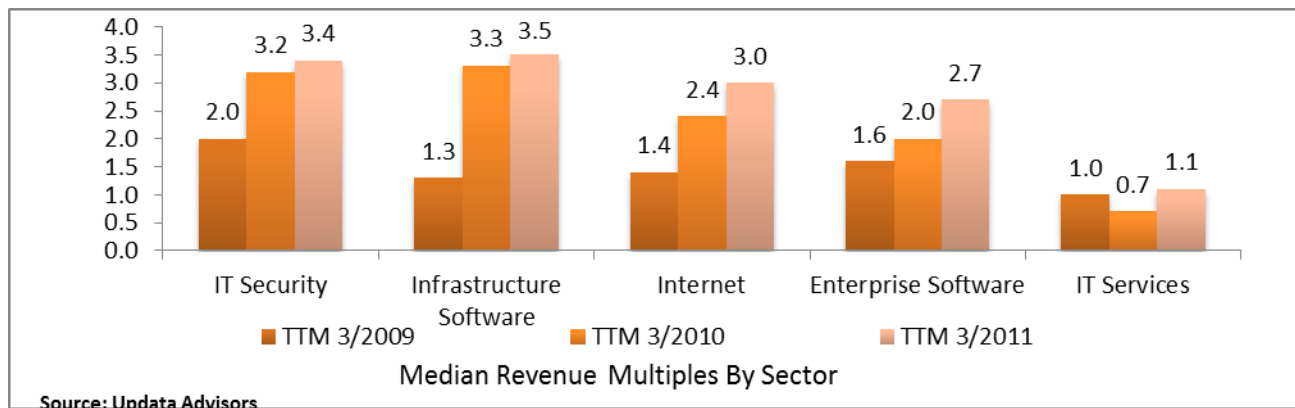
Incorporated in 2008, idOnDemand is a SaaS provider of managed identity credentials that allow authorized individuals physical and network access to buildings, IT systems, mobile devices, and secure data. The company, which has strategic partnerships with Novell and VeriSign, serves the healthcare, aviation, and government sectors, and meets requirements set by Federal Information Processing Standards for federal employees' personal identity verification. idOnDemand, headquartered in Pleasanton, California, has additional offices in Australia.

The acquisition provides three direct benefits to Identive Group. First, access to idOnDemand's patent-pending 'One-Time Password' corporate mobile authentication technology strengthens Identive Groups' position as a provider of security solutions in the growing near field communication (NFC) solutions market. Second, Identive Group will be able to cross sell its existing security solutions to idOnDemand's customer base. Third, the acquisition will significantly

decrease the logistical challenges and expense of converging physical access systems with IT security.

Proliferation of and increasing reliance upon information and data technologies into all areas of commerce, governance, healthcare, education, entertainment, and leisure has made protecting the integrity and control of digital data an urgent business concern to both providers and consumers of services. Commercial organizations and public agencies are continually investing new layers of data security systems to protect and manage the use of their facilities, networks and digital data in addition to managing the access rights of customers, citizens and employees.

Facing the challenge of protecting proprietary information and customer data from costly breaches by increasingly sophisticated hackers, MergerTech believes that IT Security firms are likely to be highly attractive targets for strategic and financial buyers. Strategic firms are leveraging cash reserves which swelled as a result of austerity measures from the credit crisis to offer highly attractive valuations to obtain synergies and achieve growth. Private Equity buyers meanwhile are investing dry powder in new acquisitions as a recovery in the equity and credit markets are providing a clear window for exiting existing and prospective investments.



About MergerTech:

MergerTech’s mission is to enable small and 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.

To learn more about the technology M&A landscape please contact Cassandra B. Owens at 925.215.2757 or via email to cowens@mergertech.com