RCW Mirus Inc.
Investment Banking Services

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SECURITY OUTLOOK 2002

Automatic Identification (Auto-ID), CCTV & Surveillance and Security Services

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SUMMARY

The security industry is categorized by a broad array of products and services. RCW Mirus has categorized its research report based on sectors within the security industry having the greatest growth potential and market impact. The segments are: Automatic (Auto-ID), which includes electronic access control (e.g., token, smart card, and biometric), electronic article surveillance (e.g., bar code and RFID); Electronic Equipment, including alarm systems and CCTV; and, Security Services which includes manned guard, alarm monitoring, systems integration and consulting services.

Over the past year, Mirus has examined the security market and has found it to be a highly fragmented industry with strong growth potential. The convergence of Electronic Article Surveillance (EAS) technologies' anti-theft tagging and Electronic Access Control (EAC) solutions' ability to authenticate the identity of objects and people are significantly improving security for both the governmental and private sector. Additionally, Mirus feels the consulting areas of risk management and systems integration, surrounding the Auto-ID sector, will stand to benefit as large corporations build new strategies, install new technologies and replace antiquated systems. Prior to September 11th, the security industry performed very well in the capital markets, received a great deal of investment from the private sector and had been one of the most active areas of consolidation.

- Mirus believes that the security industry had strong growth potential prior to the events of September 11th and that the attacks have served as a catalyst for sector growth, resulting in increased security budgets that will fuel industry growth throughout 2002 and 2003. During a time when monitoring the movement of materials and people has become paramount, security-centric technologies and services that protect our government and business infrastructure, physical assets and human lives have been elevated from a "nice to have" to a "need to have" status by many corporations.

- Investment in the physical security sector reached an estimated record high of $193.1 million in 2001 with overall activity increasing by $110.2 million. Private equity and venture capital investments in the security industry showed a growth rate of 133 percent from 2000 to 2001 compared to a 72 percent decline in overall activity during the same period.

- Despite a softening economy and sluggish pace of overall merger and acquisition activity, consolidation in the security sector continues to increase. Mirus expects mergers and acquisitions in the security market to accelerate in 2002, as conglomerates look to bolster their security stance and large, pure security plays seek to extend their geographic reach and augment the depth of their products and services.