

From Merger Market Magazine:

21/09/2007 **Encryption Security Solutions has seen offers, open to approaches, CEO says**
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Story

Encryption Security Solutions has seen offers from strategic players in the last six months, looking to acquire the company or merge, said the company's CEO. Encryption is a Michigan-based security systems solutions company.

The company is open to approaches, he said. "We're looking for a good offer for us and our initial investors." It has also been approached by VC firms looking to acquire a majority share. It would be open to the possibility of working with an investment bank but does not have one right now, he added.

Potential buyers could include PGP, Cisco, or Microsoft. The company's engine could enhance these companies' offerings, he said, adding that he believes Encryption Security Solutions' unique encryption engine is superior to the current industry standard. The engine is based on a video streaming approach. It is faster, and its algorithm, using available technology, has yet to be broken, he said. The company's live encrypted video offering is unique, he noted; while video encryption is possible with others, there can be a lag, he said.

As a software company, Encryption has exceptionally high profit margins, and resides in a market "that is absolutely untapped," stated the CEO. It is unlikely the company will get to the point of a public offering, as he expects Encryption will be acquired by an acceptable suitor prior to that point. Experts have placed a valuation as high as USD 100m on Encryption's existing technology, he noted.

The company finished its first round of funding about a month ago through predominantly angel investors. The industry has been exploding since 9/11. "You can't have enough protection," the CEO said. "The firewall's the lock on the door; our encryption is the 5,000 pound safe with the Doberman standing by it."

The company has existing orders and interest, and is talking to Fortune 100 companies about licensing opportunities for its laptop security. It sees "simple, secure, and speedy" as its competitive advantages. The CEO, a "serial entrepreneur", and two other entrepreneurs own 27% each and the rest is owned by investors.

by Karen Schwartz

Source mergermarket
Value GBP 50m (valuation)
Stake Value N/A