Flash: Initial Thoughts on Raytheon-Websense Deal

- The April 20 announcement shouldn’t be a major surprise as there were reports more than a month ago on a potential deal, though the deal price announced is larger than those earlier reports.

- The new company will be run as a commercial enterprise, and management seemed well aware of the cultural differences between defense and commercial. Pay and benefits will be commercially competitive. A look at stock price charts of CKP, FEYE, and SYMC suggests that equity incentives may be overstated as a competitive recruitment tool in the past year (PANW is an exception).

- The deal fits with a broader theme in defense of rapid advance in commercial markets that have defense applications (and vice-versa). While defense-only strategies may work in classified cyber, commercial may prove a bigger driver of change in cyber markets and that dynamic could degrade defense-only strategies over time.

- Management noted deal metrics were in line with other commercial security transactions, which arguably are at elevated levels.
**Analyst Certification**

The following analysts hereby certify (1) that their views about any and all of the subject companies and securities discussed in this report are accurately expressed and (2) that no part of their compensation was, is, or will be directly or indirectly related to the specific recommendations or views expressed in this report: Byron Callan.

**Important Disclosures**

This publication is for private circulation and distribution in its entirety; it is provided to you for information purposes only. This is not an offer to buy or sell or the solicitation of an offer to buy or sell any security/instrument or to participate in any particular trading strategy.

Capital Alpha Partners, LLC makes every effort to use reliable, comprehensive information, but we do not represent or warrant that it is accurate or complete. The views in this publication are those of Capital Alpha Partners, LLC and are subject to change without notice. Capital Alpha Partners, LLC has no obligation to update its opinions or the information in this publication.

Neither Capital Alpha Partners, LLC, nor any respective officers, directors, partners, employees, or affiliates accepts any liability whatsoever for any direct or consequential loss arising from any use of this publication or its contents.

Analysts may own securities of the issuers discussed herein.

© Copyright Capital Alpha Partners, LLC (2015). All rights reserved. No part of this publication may be reproduced, sold, or redistributed without the prior written permission of Capital Alpha Partners, LLC.