

Untapped Wealth

December, 2009 Edition

For Safer Tomorrow

A lot has changed since 9/11. Terrorism has almost become faceless. Threat from terrorist attacks looms large, but cyber terrorism also poses an equal threat and we are now defending both fronts.

The companies that we will be reviewing this month are not run of the mill security firms. While one is into development of mission critical defense solutions and services, the other specializes in making our digital networks secure. And both are the need of the day.

I'm not going to waste anymore of your time, so let's get right into it.

Have a great month.

Tim Fields
Editor-In-Chief
Untapped Wealth



DEFENSE TECHNOLOGY & SYSTEMS

&

FORTINET®

Dear Folks, we will be reviewing Global Defense Technology & Systems, Inc. (GTEC: \$14.25*) and Fortinet Inc (FTNT: \$17.05*) in December.

Defending Uncle Sam

McLean, Virginia based Global Defense Technology & Systems, Inc. (GTEC) develops mission-critical technologies, solutions, and services required by national security agencies.

Department of Defense, Intelligence Community, Department of Homeland Security, federal law enforcement agencies, and other parts of the federal government can be termed as clients of GTEC, who adopt technologies and services of the company for various programs.

Most of the R&D work that the company does is funded by various security agencies of US government. The technologies thus developed are then used for executing defense, intelligence, and homeland security missions.

Major areas in which the company operates include -

- Counter-terrorism intelligence and analysis
- Data analysis and intelligence fusion tools
- Force mobility, modernization, and survivability solutions
- Maritime domain awareness and navigation systems
- Systems and software engineering
- Network and communications management
- Decision support systems for command and control.

The other company that we are reviewing this month is Fortinet Inc. Sunnyvale, CA based network security specialist.

The company is well known for its network security appliances and is world leader in unified threat management (UTM) market.

Fortinet has the credit of innovating high performance network security solutions in IT threat landscape. The client base of Fortinet includes private players as well governments across the world. Network security solutions offered by Fortinet are in realms of -

- Firewall
- Virtual private network
- Anti-virus
- Intrusion prevention
- Web filtering
- Anti-spam
- WAN acceleration

Opportunities and Risks

GTEC: It is estimated that in 2010, US will be spending \$664 billion on defense related projects alone. Another \$130 billion will be spent on contingency operations in Iraq and Afghanistan.

The figures are impressive enough and mean consistent revenue streams for the company.

Following trends in particular seem favorable for the company -

- Robust funding for intelligence and counter-terrorism programs
- Continued drive toward force mobility and modernization in all the services
- Emphasis on enhancing the information advantage in warfare
- Continued commitment to long running overseas contingency operations

On the flip side, being in such a sensitive and controlled industry, the company always will be on radar of terrorist organizations. Technology developed by the company falling into wrong hands is also a risk to be considered. Last but not the least, 88% revenue comes to the company from state owned agencies. Any changes in policies, cut in defense budgets are bound to disrupt the revenue streams. But considering the present scenario and overall conditions, this seems to be a remote possibility.

Fortinet: An IDC report states that organizations across the world spent around \$145 billion on network equipments, primarily due to increased demand for connectivity from business partners, employees and other related entities. As the networks have grown, so has the susceptibility towards IT threats. Gone are

the days when hackers just used to target individuals for stealing personal information. Electrical grids, defense networks, financial systems and telecommunications networks are their favorite targets now. Establishments like Pentagon, FBI, CIA have also been targeted in recent past.

This has increased the demand for network security in governments and private organizations manifold. At the same time if the implementation is to be done in a government or critically important private organization, regulatory compliance requirements also are to be kept in mind. Fortinet and its products and solutions are well equipped to handle all such issues without burdening the IT infrastructure.

Risks associated with Fortinet are not any different from any other IT security services firm. This includes - political, economical, environmental and technological changes, failure to grow and implement growth strategies and several others. But considering the current needs of network security, coupled with government proposal to escalate cyber security vulnerability by investing heavily on it opens many avenues for growth of Fortinet.

Figuratively Speaking

GTEC generated \$203.39 million as revenues in 2008. Most of it of course came from national security agencies. Department of Defense, including the U.S. Army, U.S. Navy, U.S. Marine Corps, National Guard, and Department of Defense agencies contributed 74% of the revenue, whereas rest 26% came from national security agencies. During first three quarters of 2009, GTEC revenue

figures stood at \$157.1 million, a growth of 9.7% over the same period in 2008.

Fortinet generated \$211.79 million in revenues in 2008 compared to \$155.36 in 2007. Net income from operations was in the bracket of \$7,367,000, which was lesser than \$21,842,000 that the company managed to net in 2007. Almost 37% of the revenue generated by the company comes from Americas and Europe, whereas Middle East, Africa, Asia Pacific countries contribute rest of the 26%.

In The End

The companies are bound to give handsome returns in near future due to numerous factors discussed above. Governments are increasing their security spends to provide security to its citizens. GTEC and Fortinet are well positioned to profit from this move. So why not be safe and also make our investments safer!

Model Portfolio

Symbol	Last Trade	Change	Volume	Shrs	Holdings Value	Day's Value Change	Price Paid	Gain/Loss
IDSY	12:45pm ET	3.1536 ↓0.0464	8,806	1	\$3.15	↓\$0.05 ↓1.45%	12.32	↓\$9.17 ↓74.40%
RZ	1:03pm ET	1.09 ↑0.04	357,287	1	\$1.09	↑\$0.04 ↑3.81%	13.00	↓\$11.91 ↓91.62%
XDSL.OB	12:50pm ET	0.02 ↓0.00	1,013,158	1	\$0.02	↓\$0.00 ↓0.50%	0.07	↓\$0.05 ↓71.43%
API	1:03pm ET	0.57 0.00	23,700	1	\$0.57	\$0.00 0.00%	2.85	↓\$2.08 ↓78.49%
CLWR	1:03pm ET	6.99 ↑0.04	1,707,431	1	\$6.99	↑\$0.04 ↑0.58%	-	
NSPH	1:02pm ET	6.09 ↓0.16	25,302	1	\$6.09	↓\$0.16 ↓2.56%	4.00	↑\$2.09 ↑52.25%
DTV	1:03pm ET	33.91 ↑0.87	5,161,934	1	\$33.91	↑\$0.87 ↑2.63%	22.35	↑\$11.56 ↑51.72%
ACM	1:01pm ET	27.39 ↑0.19	291,990	1	\$27.39	↑\$0.19 ↑0.70%	24.99	↑\$2.40 ↑9.60%
DLTR	1:03pm ET	49.02 ↑0.11	350,314	1	\$49.02	↑\$0.11 ↑0.22%	37.00	↑\$12.02 ↑32.49%
FDO	1:03pm ET	28.59 ↑0.30	762,470	1	\$28.59	↑\$0.30 ↑1.06%	20.87	↑\$7.72 ↑36.99%
DDM	1:03pm ET	43.9885 ↑0.8185	2,010,217	1	\$43.99	↑\$0.82 ↑1.90%	25.80	↑\$18.19 ↑70.50%
QLD	1:03pm ET	57.4799 ↑1.3799	3,805,313	1	\$57.48	↑\$1.38 ↑2.46%	30.85	↑\$26.63 ↑86.32%
RST	1:03pm ET	17.00 ↑0.16	27,601	1	\$17.00	↑\$0.16 ↑0.95%	23.00	↓\$6.00 ↓26.09%
XEL	1:03pm ET	21.86 ↑0.27	1,637,806	1	\$21.86	↑\$0.27 ↑1.25%	18.54	↑\$3.32 ↑17.91%
GRRF	1:02pm ET	3.631 ↑0.061	65,732	1	\$3.63	↑\$0.06 ↑1.71%	3.02	↑\$0.61 ↑20.23%
ACTS	12:56pm ET	2.38 ↑0.01	39,222	1	\$2.38	↑\$0.01 ↑0.42%	2.13	↑\$0.25 ↑11.74%
MEA	1:03pm ET	4.51 ↓0.02	225,027	1	\$4.51	↓\$0.02 ↓0.44%	4.50	↑\$0.01 ↑0.22%
PTI	1:02pm ET	19.93 ↓0.36	44,472	1	\$19.93	↓\$0.36 ↓1.77%	17.53	↑\$2.40 ↑13.69%
KONG	1:03pm ET	10.873 ↓0.367	182,611	1	\$10.87	↓\$0.37 ↓3.27%	13.25	↓\$2.38 ↓17.94%
CRIC	1:03pm ET	10.03 ↓0.57	285,233	1	\$10.03	↓\$0.57 ↓5.38%	14.20	↓\$4.17 ↓29.37%
CBPO	1:01pm ET	11.40 ↑0.88	157,271	1	\$11.40	↑\$0.88 ↑8.37%	-	
VITC	1:03pm ET	9.21 ↑0.30	173,123	1	\$9.21	↑\$0.30 ↑3.37%	8.88	↑\$0.33 ↑3.72%
FTNT	1:01pm ET	17.61 ↑0.03	210,411	1	\$17.61	↑\$0.03 ↑0.17%	17.05	↑\$0.56 ↑3.28%
GTEC	12:59pm ET	15.1764 ↑0.3364	22,654	1	\$15.18	↑\$0.34 ↑2.27%	14.25	↑\$0.93 ↑6.50%
Total					\$401.90	↑\$4.27 ↑1.07%		↑\$53.26 ↑16.13%

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Thank you for reading, best of luck.

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*Indicated Initial Recommended Price