

2010 Was a Robust Year for Security Company Acquisitions!

Year 2010 proved to be very active for mergers and acquisitions of security guard and central station alarm monitoring companies.

Large transactions worth noting are:

- *January 18 - Tyco acquired Broadway Security alarm monitoring company from Brink's (purchase price \$1.9 Billion).*
- *April 26 - Alarm industry veterans Jim Covert and Tim Wahl teamed with the GTCR private equity group to acquire Protection One for approximately \$828 million.*
- *June 6 - Pinkertons Government Services (a wholly owned subsidiary of Securitas AB) acquired Paragon Systems, the Federal Government security subsidiary of Tri-S Security Corporation, for approximately \$35 million.*
- *September 6 - Large privately held security guard company acquired the \$140 million guarding subsidiary of a privately held conglomerate. There was not a press release on this transaction.*
- *October 6 - Henry Brothers Electronics announced that it is to be acquired by Kratos Defense & Security Solutions for approximately \$45 million.*
- *November 10 - Reliance Security Services in the United Kingdom announced that it is to be acquired by Securitas for approximately \$73 million (US). Revenues were \$340 million (US).*
- *December 17 - Ascent Media Corporation, a California based holding company, announced that it was buying Monitronics International for \$1.2 billion. Monitronics provides 3rd party monitoring services to more than 650,000 residential, small businesses, corporate and governmental customers.*

In the Cash Handling Sector, Brink's made two significant acquisitions:

- *November 17* - Brink's acquired Servico Pan Americano de Protection, Mexico's largest secure logistics company for \$60 million. Revenues were \$385 million.
- *December 23* - Brink's acquired Threshold Financial Technologies (Based in Canada) for \$40 million. Revenues were \$48 million.

One new investment group entered the security guard market through 3 simultaneous acquisitions:

- *May 3* - LaSalle Capital Group, LP acquired Industrial Security Services, Inc., and the operating assets of Leonard Security Services, Inc. and Eagle Security, Inc. The combined companies will operate under the name of United American Security, LLC.

Several significant central station alarm monitoring companies switched financial sponsors:

- *November 1* - Summit Partners acquired Central Security Group from Great Hill Partners. Great Hill acquired CSG in 2005. CSG monitors approximately 135,000 accounts.
- *November 8* - Oak Hill Capital Partners acquired Security Networks from GMH Associates. Security Networks monitors approximately 70,000 residential and commercial accounts.

The charts below tell the story of what happened in 2009 and 2010: As a way of staying abreast of what's happening in the buying and selling of security companies throughout the world; our firm is constantly searching the internet and security publications looking for announcements relating to completed sale transactions. Although we found hundreds of transactions for security related companies, we only tracked (and posted) the activity in the security guard, central station alarm, "plain vanilla" systems integration and certain other sectors such as armored car companies.

We invite you to view the details of the below transactions in the "News and Press" section of our website at <http://www.roberthperry.com/news.cfm>; then visit our site often to find out what's new.

Overview of Worldwide Completed Transactions

There were 65 announced worldwide completed transactions in 2010, compared to 56 in 2009 and 59 in 2008. It's interesting to note that there were 4 announced guard company transactions in the United Kingdom in 2008, 1 in 2009 and 9 in 2010. We believe the significant increase in transactions in the United Kingdom resulted from the UK recession issues described in *Security Management Today's* overview of the 2011 Plimsoll report - [click here to view the SMT article](#).

Also of interest is the number of guard company transactions: On a worldwide basis, the number of guard company transactions represented about 50% of the total transactions. And nearly half the transactions were for U.S. based sellers; not surprising, since the U.S. has the largest security market in the world.

	2010				
	Q1	Q2	Q3	Q4	TOTAL
Guarding	5	10	6	10	31
Alarm Monitoring	2	4	4	5	15
Systems Integration	3	2	5	4	14
Other - Investigative, Armored Car, etc.	1		2	2	5
Total Announced Transactions	11	16	17	21	65

	2009				
	Q1	Q2	Q3	Q4	TOTAL
Guarding	6	4	6	8	24
Alarm Monitoring	5	2	4	8	19
Systems Integration	1	0	2	3	6
Other - Investigative, Armored Car, etc.	2	2	0	3	7
Total Announced Transactions	14	8	12	22	56

Country	2010				TOTAL
	Guard	Alarm Monitoring	Systems Integration	Other	
Bangkok			1		1
Bosnia		1			1
Canada				1	1
Denmark		1			1
Mexico				1	1
Montenegro	1				1
Poland	1				1
Romania	1				1
Singapore	1				1
South Africa	2		1		3
Sri Lanka	1				1
Thailand	1				1

<i>United Kingdom</i>	9		1	1	11
<i>United States</i>	14	13	11	2	40
TOTALS	31	15	14	5	65

<i>Country</i>	2009				TOTAL
	<i>Guard</i>	<i>Alarm Monitoring</i>	<i>Systems Integration</i>	<i>Other</i>	
<i>Anglia</i>	1				1
<i>Argentina</i>	1				1
<i>Brazil</i>				1	1
<i>Chile</i>	1				1
<i>China</i>	1		1		2
<i>Colombia</i>	1				1
<i>Czech Republic</i>	1				1
<i>Estonia</i>			1		1
<i>France</i>	2		1		3
<i>India</i>			1		1
<i>Mexico</i>	2				2
<i>Morocco</i>	1				1
<i>S. Africa</i>	1				1
<i>Serbia</i>	1				1
<i>Spain</i>	1	1			2
<i>United Kingdom</i>	1	1		1	3
<i>United States</i>	8	17	2	5	32
<i>Vietnam</i>	1				1
TOTALS	24	19	6	7	56

2011 promises to be even more active in mergers and acquisitions for the security industry.

Many of the large security companies, as well as large investment groups are sitting on more cash than anytime in recent history and they are obligated to put the cash to work for their investors; and one of the best ways of doing this is buying companies. There has already been one significant announcement in the security space in 2011 as Securitas announces its intentions to buy the UK Chubb Security operations from UTC. Securitas will pay approximately \$53 million (US) for Chubb. Chubb boasts revenues of almost \$200 million (US) with approximately 5,000 employees.

Also expected to drive the increased activity in selling security companies in 2011 are factors such as:

- The extension of the Bush tax cuts approved in December 2010 that keeps the capital gains tax rate at 15%. Owners wanting to sell, but couldn't complete the sale in 2010, now have two more years of opportunity to get this attractive tax break.
- The lingering inability for many small to medium size companies to raise money or maintain existing banking relationships.
- The margin pressure concerns and the uncertainty surrounding the future of the new health care bill and how

it will affect security companies.

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We initiate and manage transactions for sellers of security guard companies. Established in 1977, we have represented over 150 sellers located in the United States, Canada, Western Europe, South America, the Caribbean, and the Middle East.

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