



2012 Was An Exceptional Year For Mergers and Acquisitions!

There was a significant uptick in the merger and acquisition activity for worldwide security companies in 2012, especially in the U.S. market.

Many of the international companies, that have been very active, were in the integration mode for companies they bought in previous years; and slowed down their buying activity in the U.S. and other parts of the world. However, in spite of this slowdown by the international security companies, the activity in the U.S. increased dramatically driven by a few new active buyers accommodating sellers in completing a transaction before the capital gains tax increases of 2013 take effect.

The charts that follow later in this report show that the ANNOUNCED transactions for 2012 increased approximately 52% over the 2011 year and 74% over 2010; again this year, the number of ANNOUNCED central station alarm company transactions outpaced the rest of the security industry by a very large margin.

THE TOP STORIES IN THE MERGER AND ACQUISITION ACTIVITY AROUND THE WORLD, AND PARTICULARLY IN THE U.S.

- **December 31, 2012 - Universal Protection Service, a division of Universal Services of America and one of the largest providers of security services in the U.S., announced that they have acquired the security officer services division of T&M Protection Resources, LLC**
- **December 21, 2012 - SOS Security, LLC Announces it Recapitalization by ZS Fund, L.P.** The partnership with ZS will allow SOS to accelerate its growth through expansion of its

global client footprint, as well as strategic acquisitions in a variety of vertical markets. Terms of the transaction were not disclosed.

- ***October 30, 2012*** - **Monitronics Purchases 93K Pinnacle Security Accounts** As part of a strategic alliance, Monitronics has acquired roughly 93,000 subscriber accounts from summer sales model company Pinnacle Security for \$131 million.
- ***October 08, 2012*** - **ABM to Acquire Provider of Aviation Facility Management Services** ABM, a leading provider of integrated facility solutions, today announced a definitive agreement to acquire Air Serv Corporation for approximately \$158 million in cash, subject to certain closing adjustments. Air Serv, when combined with ABM's Janitorial, Facility Solutions, Security and Parking airport businesses, will significantly expand ABM's capabilities in servicing the end-to-end needs of the airlines and airport authorities and will create an integrated aviation vertical with over \$650 million in annual revenues.
- ***September 18, 2012*** - **Vivint has entered into an agreement with the Blackstone Group to be acquired in a deal worth "north of \$2 billion"**Blackstone will buy out Vivint's current equity partners Goldman Sachs, Jupiter Partners and Peterson Partners. Vivint management, which previously controlled 50 percent, also "sold some equity," so Blackstone is now the majority owner of the company, Pedersen said.
- ***September 07, 2012*** - **Garda Announces Agreement to Be Acquired by a Group Led by Company Founder, Chairman and CEO Stephan Cretier in a Transaction Valued at C\$1.1 Billion**
- ***September 01, 2012*** - **Universal Protection Service, a division of Universal Services of America and one of the largest providers of security services in the U.S., is excited to announce that they have acquired A&R Security Services, Inc. and United Security, LLC**
- ***April 10, 2012*** - **Comvest Investment Partners acquired the security and fire branch operations of UTC Climate, Controls & Security**, which will be called Red Hawk Fire & Security U.S. The business includes 50 branch offices and 1,350 employees and does about \$250 million in sales and installation revenue annually.

- **March 7, 2012 - Prosegur strengthens its leadership in Latin America with the acquisition in Brazil of Nordeste SeguranÃ§a and Transbank** Prosegur has acquired Nordeste Segurança and Transbank, important private security companies in the Brazilian market. This locally financed transaction came to 359 million Euros
- **February 10, 2012 - Andrews International** (\$350 million) "joins forces" with **U.S. Security Associates**. After the transaction, the combined U.S. Security/Andrews entity boasts revenues of over \$1.3 Billion. The terms of the transaction were not publically disclosed.

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 in the security industry. We also subscribe to several news release services that report when a transaction has occurred or is about to close. Although we found hundreds of transactions for security related companies, we only tracked (and posted to our website) the activity in the contract security, central station alarm, "plain vanilla" systems integration and certain other sectors such as armored car company sale transactions. We also report on only ANNOUNCED transactions. There are many smaller "silent" transactions completed that were not announced or announced on some obscure reporting service. These "silent" transactions will not be included in the below reports.

We invite you to view the details of these ANNOUNCED transactions in the "News and Press" section of our website at <http://www.roberthperry.com/news.cfm>; then visit the site often to find out what's currently going on in mergers & acquisitions for 2013.

OVERVIEW OF WORLDWIDE ANNOUNCED COMPLETED TRANSACTIONS

There were 113 ANNOUNCED transactions for 2012, compared to 74 in 2011 and 65 in 2010. The active buyers in previous years for contract security companies were basically on the sidelines during 2012. Previous years leaders such as **Securitas** and **G4S** bought a few companies in 2012 in the emerging markets, but were primarily in the integration mode for previous acquisitions. Also **Garda**, a very active acquirer in the past, dramatically slowed down its acquisition activity during 2012 due to being in a "quiet period" while it goes through the process of taking the company private.

As previously mentioned, most of the increased activity in the contract security sector was brought about

by a few very active acquirers. **Universal Protection** purchased 6 companies (two with revenues exceeding \$50 million each). **U.S. Security Associates** made 4 acquisitions in the middle market size range to go along with its large "joining of forces" transaction of **Andrews International**, a \$385 million revenue company. **United American Security** (a **LaSalle Capital** company formed in 2010) purchased 5 east coast security companies (with revenues less than \$10 million each); expanding its market from Florida to New Jersey.

Almost half of the acquisitions in the contract security sector were made in the fourth quarter as owners accelerated the sale process to make sure the transaction closed in time to take advantage of the lower capital gains tax rates. As in the past three years, the number of sale transactions for central station alarm companies greatly outpaced the activity in the contract security sector.

(2009 - 2012 Industry Acquisition Overviews by Sector)

<i>Announced Worldwide Transactions</i>	<i>2009</i>	<i>2010</i>	<i>2011</i>	<i>2012</i>
Guarding	24	31	25	38
Alarm Monitoring	19	15	31	52
Systems Integration	6	14	13	15
Other - Investigative, Armored Car, etc.	7	5	5	8
Total Announced Transactions	56	65	74	113

(2012 Industry Acquisitions by Country)

<i>Country</i>	<i>2012</i>				<i>TOTAL</i>
	<i>Guard</i>	<i>Alarm Monitoring</i>	<i>Systems Integration</i>	<i>Other</i>	
<i>Argentina</i>	1			1	2
<i>Belgium</i>				2	2
<i>Brazil</i>	2				2
<i>Canada</i>	4	3			7
<i>China</i>		1			1
<i>Croatia</i>	1				1
<i>France</i>	1			1	2
<i>India</i>			1		1
<i>Indonesia</i>	1				1
<i>Netherlands</i>	1				1
<i>S. Africa</i>	1			1	2
<i>Spain</i>			1		1
<i>Turkey</i>		1			1
<i>United Kingdom</i>	4	1	1	1	7
<i>United States</i>	22	45	12	2	81
<i>Uruguay</i>		1			1
TOTALS	38	52	15	8	113

(2009 - 2012 Guard Transactions Only - Comparing U.S. to Worldwide Totals)

<i>History of Announced Guard Transactions</i>		
	<i>US</i>	<i>Worldwide</i>
2009	8	24
2010	14	31
2011	8	25
2012	22	38

(2012 U.S. Guarding Acquisitions by Quarter)

<i>2012 Announced Transactions</i>	<i>Q1</i>	<i>Q2</i>	<i>Q3</i>	<i>Q4</i>	<i>Total</i>
Guarding	6	5	2	9	22

What is the prediction for 2013?

2013 should continue to be a very active year for merger and acquisition activity in the security industry. Several deals that were scheduled to close in 2012 got pushed to the first quarter of 2013. Even though the owners of these companies missed the opportunity to sell at a lower Capital Gains tax rate, the sale is still prudent given some of the challenges ahead for the thinly financed contract security companies.

There are many private equity groups that still need to put some of their invested capital to work - some already have significant investments in contract security companies, but there are several sitting on a lot of cash that don't presently have investments in the security space and they're doing their homework to determine if it's the right place for their investors. As previously mentioned, **SOS Security** brought in **ZS Fund LP** in late December as an equity partner to fund its organic growth and provide the capital to make strategic acquisitions that will take SOS to the next level. We expect to see more Private Equity Groups interested in the security space as projected growth in the security market continues to outpace most of the other industries.

Because of the challenges facing owners of small to medium size contract security companies and the extra incentives (in the form of larger multiples) being offered by some of the aggressive buyers today, we see 2013 as another "perfect storm" for buyers AND sellers. Buyers may not be able to pick up the bargain basement deals once expected, but there may be more quality companies available; albeit, at premium multiples, still giving an attractive return to buyers willing to pay it.

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We initiate and manage transactions for sellers of security guard companies. Established in 1977, we have represented over 200 sellers located in the United States, Canada, Western Europe, South America, the Caribbean, and the Middle East.

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