

WHITE PAPER

On The

U.S. CONTRACT SECURITY INDUSTRY

Also known as: Security Guard Industry

MARKET ♦ MARGINS ♦ MERGERS ♦ MULTIPLES

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◀ **MARKET** ▶

Defining the “Contract Security” Market

TREND: The term Contract Security as used in this white paper report describes the companies in the U.S. market today that provide mostly professional security officers to government agencies or commercial customers on a temporary hourly basis or pursuant to a permanent contractual agreement.

Although on an international basis, generally the companies that provide these services are still referred to as “guarding companies” or “manned guarding companies” we will, for this white paper report, use the term “Contract Security Companies”; which is now the most popular term used by most of the professional companies in the U.S. offering security officer services.

The majority of the annual revenue for these companies comes from security officer services. Below is a list of some of the auxiliary services now being offered by contract security companies:

- Security Officer
- Special Event Security
- Risk Analysis
- Security Consulting
- Loss Prevention
- Investigators
- Background Screening
- Facility Design
- Roving Vehicle Patrol Services
- Concierge Services
- Alarm services and security systems integration (although many contract security companies do not actually perform this service in-house; they refer this type of work to a “partner” that specializes in providing the product or service).

The Public Opinion of the Contract Security Market

The contract security industry has been striving for many years to elevate how it's perceived in the public opinion marketplace and it has made great progress in this endeavor, in spite of Hollywood making movies like "Paul Blart: Mall Cop" and "Night at the Museum" that painted unflattering, demeaning pictures of security officers.

The contract security officer of today tends to be better educated, better trained, and in several areas, more qualified to handle the security functions demanded by the company's customers. This didn't happen overnight – it's the result of efforts on the part of the owners that want their company to be a truly professional security organization; and national security organizations such as NASCO (www.nasco.org), ASIS International (www.asisonline.org); NCISS (www.nciss.org) as well as the many state agencies and organizations working together to create legislation and best practices procedures for the industry. The general public also demanded this change, but there are still serious improvements that need to be, and are being, made in the industry.

Just like any other highly fragmented industry (as reported in the next section, there are an estimated 8,000 individual contract security companies in the U.S.), the contract security industry has its rouge companies that occasionally get bad publicity, but in spite of this occasional happening, the perception about the contract security market in the minds of the general public has definitely been elevated over the past few years.

For more on how the industry and general public is responding to the evolution from "security guard" to "contract security", click below to view a previous year's White Paper:

[July, 2010](#) [July, 2011](#) [July, 2012](#)

Size of the U.S. Contract Security Industry

TREND: The matrix making up the number of companies in the market continues to indicate a very fragmented market, with a few large companies controlling the majority of the gross revenues for the industry.

Number of Companies

Trend: No significant change from the July 2012 white paper report

Many sources report around 10,000 individual contract security companies in the United States alone, with 1 (one) report indicating 14,000 companies. We believe these figures are somewhat inflated for the following reasons: 1. the figures were compiled from reports using SIC (Standard Industrial Classification) codes and in some instances, investigative and other small companies not offering traditional contract security services are included in the 7381 classification 2. Duplication in counting – some reporting agencies are counting branch offices of a multi-office national contract security company, as separate companies.

Our firm has been building a database of U.S. contract security companies for more than 30 years, and has identified approximately 6,000 single companies that employ more than 100 personnel and provide mostly contract security officer services. We feel that our database is reasonably accurate and, when the companies employing less than 100 personnel are added, the total number of companies offering contract security officer services is in the 8,000 range. There's no indication that a significant number of new companies have started up since last year, therefore we will continue to use 8,000 as the estimated number for the total U.S. contract security companies throughout this report.

In spite of the fact that the market is very large, it's also very fragmented and there's very little public information on the financial performance and the operating practices for the privately-held companies. We have, over the past 30 years, come to learn that this lack of public information is due primarily to the nature of the business and the owners' mindset. It is, after all, the security business, which by definition operates under a code of secrecy. There are no associations of contract security companies that accumulate and publish financial statistics on the industry.

Revenue, Size and Growth Prospects for the U.S. Contract Security Market

Trend: The two well recognized industry reporting agencies are mostly in agreement on the size of the market and the prospects for the future – there will be real growth in the overall market figures, coming primarily from companies converting from “in-house” to contract security.

The latest Freedonia Group study indicates that the U.S. Contracted Security Services market, restrained by the economic downturn beginning in 2007, grew only 1.1% from 2006 – 2011. This report also indicates that the contract security services market in the U.S. was \$19 Billion in 2011 and was expected to grow at an impressive rate of 5.5 percent per year until 2016, at which time the market should reach \$24.5 Billion. Freedonia says the growth is coming from “contract security being supported by the regulatory burden of fielding an in-house security force. Additionally, security is not a revenue-producing activity for most companies and is outside their core competencies, providing opportunities for contractors.”

The latest IBISWorld industry report puts the current U.S. Contract Security market at a little over \$21 Billion. This report goes on to say that....” the labor intensive activities of the U.S. Contract Security market are being substituted by monitoring technology and equipment, such as closed-circuit television (CCTV) systems. Coupled with the decline in demand during the recession, rising competition has caused profit margins to fall. In response, larger industry players are offering more value-added services to mitigate profit declines. Although the industry has a lot of non-employer firms (e.g. private investigators and bodyguards, for example), some that offer their services on a part-time basis to supplement other sources of income, the industry also has a lot of medium – and large- size firms, which typically offer integrated security, value-added services and cash handling”.

In addition to the reports of these two well respected reporting agencies, we feel that there are two important questions that should be answered regarding the future and past growth of the U.S. Contract Security industry: 1. what is the size of the “in-house” market – one of the largest sources of future growth for the U.S. Contract Security industry, and 2. has the market really grown, even if only modestly, or are the numbers more reflective of the U.S. inflation rates?

In compiling this year’s white paper, we could not find any published information on the size of the “in-house” security market. However, several key executives at the national and international companies seem to think the “in-house” market is about the size of the current contract security market. If that’s the case, the total “Manned Security” market for the U.S. is about \$40 Billion – and indicates the source for a large portion of the future increase in U.S. Contract Security as more and more companies outsource this

service to reduce costs brought about by high pension costs as well as anticipated Affordable Care Act costs.

We also, in compiling this year's white paper report, considered the probable impact the inflation rates had on the increase in the total market figures. Based on our research, the U.S. Contract Security market was at about \$12 Billion 10 years ago. The Consumer Price Index increase over the past 10 years applied against the \$12 Billion comes to about \$16 Billion. This coupled with the fact that a few years ago, the reporting agencies expanded their scope of what's included in the definition of contract security to include investigators (often operating as one-man operations) and other non traditional "manned security" functions, indicates that there's been very little growth in the overall market in terms of companies converting from "in-house" to contract security or existing customers increasing their contract security needs.

However, and worth repeating, the good news is that both Freedonia and IBISWorld have predicted a large part of the increase in the U.S. Contract Security market over the next five years will come from companies converting from "in-house" to contract security and not necessarily a function of the expected inflation rates.

David Petina, an industry analyst with The Freedonia Group, said in February (2013) that in most countries around the world companies are making the move from proprietary security to contract security because of "guards" being better trained and the elevated trust in the contract security industry.

Composition – by Company Size

TREND: The U.S. Contract Security market continues to be very fragmented with 4 companies controlling almost 50 % of the market.

For this year's white paper report, we reviewed our files to determine which companies were eligible but did not appear on the "Largest Companies" lists as published by some of the popular newsletters and reports. For the most part, these company owners have shared their revenue figures with us on the condition that their identities remain confidential.

This new matrix reveals that there are a lot more large U.S. contract security companies than previously reported. Note in the list on the following page the increase in the number of companies appearing is a result of our more extensive search for companies that should be included in the numbers.

The most significant change is in the numbers of companies with revenues between \$20 and \$100 million. In 2012, we report 12 companies with revenues between \$20 and \$50 million; whereas due to the more extensive research, this number increases to 40 for this current 2013 year report. There were 11 companies reported in the \$50 - \$100 million revenue category for 2012, whereas the 2013 report shows 14 companies in this category. Also note that this list includes primarily the companies that do not have a large presence in the Federal contract security market.

New Matrix of Companies by Number of Companies and Revenue

	No. of Companies	Annual Revenue (in million \$)
(1) (2) Over \$1 billion	4	9,200
(2) \$300M - \$1B	4	1,911
(2) (3) \$100M - \$300M	9	1,396
(2) (3) \$50M - \$100M	11	650
(2) (3) \$20M - \$50M	12	462
(3) \$5M - \$20M	200	2,000
(4) \$0 - \$5M	7,760	4,381
	(6) 8,000	(5) 20,000

- (1) 2 companies, representing \$6.3 B in revenue, are foreign owned
- (2) From July 2013 issue of *Security Letter* (Revenue figures mostly year-end 2012)
- (3) Estimated based on information in files of Robert H. Perry & Associates, Inc.
- (4) Arithmetical function to come to the 8,000 companies and \$20B revenue
- (5) Freedonia estimates \$20 Billion. IBISWorld estimates \$21 Billion - see page 4 of this report.
- (6) Some sources indicate the number of companies as 10,000 – 14,000. See more on the number of companies on page 3 of this report.

It's interesting to note that the four companies making up the "over \$1 Billion" category did not get large by adding one customer at a time:

1. Securitas - Now \$3.6 Billion (\$3.5 Billion in 2012) in the U.S. started with the initial purchase of Pinkerton's in 1999. Pinkerton's had over \$1 Billion in revenues at the time of purchase. Securitas followed with the purchase of Burns, a \$1.5 Billion company, in 2000; then went on to make about a dozen other acquisitions with combined revenues at the time of purchase of approximately \$500 Million. As indicated later in this report, Securitas has concentrated most of its recent acquisition activity in the emerging markets.

2. G4S - Now \$2.7 Billion (\$2.6 Billion in 2012) in the U.S. made its initial entry into the U.S. with the purchase of Wackenhut in 2002. At the time of purchase, Wackenhut was billing approximately \$2.8 Billion. Since that time, G4S has divested some of the traditional standing security officer business, and has limited its acquisition activity in the U.S. security market to mostly electronics and high-end investigative type companies. On March 5, 2013, G4S announced that it was divesting its \$600 million Federal government business and the transaction was expected to be finalized by June 2013. As of the preparation of this white paper report, the sale is still in process [Click here to read the announcement on G4S's website](#). As indicated later in this report, G4S has

concentrated most of its recent acquisition activity in the emerging markets, soon to represent 50% of its total revenue.

3. AlliedBarton - Now \$1.9 Billion (\$1.8 Billion in 2012) was formed through the initial purchase of Spectaguard in 1998. Spectaguard had revenues of approximately \$60 Million at the time of purchase. Since that time, AlliedBarton has purchased large companies such as Barton Protective with approximately \$400 Million in revenue and Initial Security with approximately \$240 Million in revenue. In total, AlliedBarton has made approximately 10 acquisitions with combined revenues of approximately \$1 Billion.
4. U.S. Security Associates - Now approximately \$1.3 Billion got its start with the initial purchase of Advance Security from Figgie International in 1993. At the time of purchase, Advance had revenues of approximately \$70 Million. Since that time, U.S. Security has made approximately 25 acquisitions of mid to large sized companies plus a number of smaller acquisitions with combined revenues of over \$1 Billion (including \$350 Million in revenue from Andrews International, its most recent large transaction).

Number of Employees

Trend: No significant change from July 2012 white paper report

Some reports show around 1.2 million security officers in the U.S. (to include full and part-time personnel) and other reports put the figure at around 1.5 million. But it's interesting to note that, whichever figure is the most accurate, the number of contract security personnel is about two and a half times the number of public law enforcement personnel. If, in fact, the contract security market is getting more undesirable publicity than the public force – it could be primarily because the contract security officer market is so much larger than the public force; thereby a much larger “public opinion” target.

The Contract Security Market and the Recent Economic Downturn

Trend: No significant change from July 2012 report

While traditionally the contract security market has been viewed as recession proof, most contract security companies will feel at least a mild set-back through a prolonged recession. Typically, during a prolonged recession, the security industry is among the last industries to go into the recession and the last to come out. Just how much a security company is affected by the recession depends on how well financed the company was going into the recession and how much the vertical markets the company serves are affected by the downturn.

Banking Relationships

Trend: Banking Relationships Still Uncertain – no change from 2012 report.

When the economic downturn started about five years ago, the relationship owners of contract security companies had with their banks, for the most part, began to deteriorate. Since then, we have heard many disturbing stories about companies having to change banks because their present bank called their credit line, or otherwise informed them that come renewal time the line amount will be reduced or not be renewed. Other companies had increased borrowing costs, but remained with their present bank.

Some Contract Security Companies are Growing

Trend: Fewer Contract Security Companies Have Experienced Growth in the Past 12 Months

A few of the contract security companies are actually experiencing growth, but at a lesser pace than in prior years, as customers increase security to combat the increase in the crime rate that goes along with a financially challenging economy. Also, many of the contract security companies (especially the larger ones) are introducing new and more profitable services as a way to win new accounts or keep existing ones; such as the bundling of security services. In fact, many of the larger companies are getting into the remote video monitoring business as a way to supplement or enhance the existing traditional standing security officer service. Some are also pursuing the background screening business, “Alert Line” services, executive protection, etc. – all as a way to diversify and get more competitive and, in a lot of instances, set themselves apart from their strongest competitor in the traditional standing contract security market.

Factors Causing Growth and Contraction of Revenue in the Contract Security Industry

Trend: No significant changes from July 2012 report – the two large industry reporting agencies predict 5% annual growth in the industry for the next five years.

▪ ***Growth Factors – Many reports still indicate that the contract security market in the U.S. will continue to grow in the 5% range for the next five years:***

1. Companies looking to cut costs are eliminating their in-house security program and using contract security companies. Typically, in-house security employees will have a higher pay scale due to long term tenure with the company and expensive retirement benefits. By contracting out the security function, companies are getting better trained security personnel in many cases, for less total outlay.

As mentioned earlier in this white paper, it's believed that this in-house market is presently in the \$20 Billion range. As more of the companies presently utilizing in-house security are faced with rising employment taxes and the challenges of the Affordable Care Act, it's expected that the move from in-house to contract security may dramatically increase.

2. During a “down economy” the crime rate increases, thus companies looking to safeguard against the increase in crime are increasing their security coverage. This is particularly evident in the city and state municipal government sector, where there's a lot of pressure from the public to provide more protection at a reduced cost.
3. As smaller companies have a difficult time operating due to a cut-back in security from their customers and increased line of credit costs (or banks actually terminate the credit lines), more of these companies will go out of business or sell to their larger competitors. As a case in point; a recent mass mailing our firm made to our database of contract security companies, resulted in a record number of the letters being returned with an indication that the company was “out of business”. Although this does not cause growth in the overall market, it does cause a shift of the business from the small, thinly capitalized companies to the larger more financially robust regional, national or international contract security companies.

▪ ***Factors Causing Contraction***

1. Certain industries adversely affected by the downturn in the economy are closing locations, thereby eliminating the need for security once needed in those areas.
2. Some companies are eliminating contract security and using their own personnel to handle the security functions as a way to justify keeping the valuable employees...however, the converse of this is true in many instances as mentioned in #1 under “Growth Factors” above.
3. Companies adversely affected by the economy are reducing the amount spent on security and taking on the risks of leaving the plant or premises vulnerable to incidents.
4. Some companies are trading security officers for electronic security. More on this topic under “Contract Security Personnel (Guards) vs. Electronics” below.

Contract Security Personnel (Guards) vs. Electronics

Trend: Contract Security Companies are starting electronic security divisions or teaming with companies that specialize in electronic security. Customers are replacing security officers with electronic security, or enhancing security coverage by using security officers AND electronic security devices.

For several years, the owners of contract security companies have been discussing whether electronics could replace guard hours or eliminate the need for a human security officer altogether. But until lately, they have not seen this as a real threat to their business.

However, while the contract security industry has been growing in the low single digit range for the past few years, the electronics security industry has been gaining ground and has been performing much better. While there are no statistics pointing to exactly how much, if any, revenue the electronics industry has taken from the contract security industry, there is concern amongst the owners of contract security companies that this may start happening as the contract security firm's customers look at ways to trim their security budgets and/or enhance its existing security.

The telecommunications giant, Time Warner Cable, recently entered the home electronics security market and there has been recent news articles indicating that phone companies such as AT&T and Verizon are entering this market as well – a natural progression for these conglomerates to expand their service offerings for their millions of customers. Experts in the industry are saying that this could indicate a game changing event for the electronics business. One scenario is that they would have to partner with the existing electronics companies to handle the installations, service and response, which could actually be good for some of the existing electronics companies; while others are saying that these companies have a very large band width that takes competing in the electronics sector to a whole new level and that would be concerning.

The question in the minds of owners of contact security companies is: will these companies expand their services to the corporate and small business market as well, thereby taking revenues from the contract security companies?

Mitigating the Concern

However, the above concerns are being mitigated to a large extent by the evidence that, so far, electronics has not taken away from the need for human security officers, but has been used as a way to enhance the overall needs for the security customers.

More and more contract security companies are getting into the video monitoring business as a way to keep the customer that's looking for this service. Those that can't afford the very large investment to get into the video monitoring business are teaming with installation and monitoring companies as a way to offer the service.

Take the case of Securitas: Securitas sold off its electronics system integration business, Niscayah, about 5 years ago, then after finding out that it did in fact enhance the contract security business, tried to buy it back. In the buy back process it lost its chance to acquire the company when Stanley Works outbid Securitas and bought the company for \$1.2 Billion. Securitas has subsequently teamed with Convergent Technologies, a giant in the systems integration field whereby Convergent will be the electronics arm for Securitas.

There are many in the industry that say the electronics industry will never adversely affect the contract security officer revenues, but that the contract security officer function will form more of a "partnership" with the electronics security function – both are needed as a way to enhance effective security.

A good example of this partnering to bundle services occurred in April, 2013, when U.S. Security Associates (a \$1.3 Billion contract security company backed financially by Goldman Sachs) announced that it had structured an arrangement with Stanley Security Systems whereby the two companies would refer business to each other [[Click here to read the article](#)].

A good article on this subject presented in our July, 2012 white paper report that still very much applies to what's happening today and is worth repeating:

John Briggs, the Operations Director of First Security in London addresses the concern best in his exclusive blog at infologue.com; although this quote comes from a person not in the U.S. market, we feel it accurately describes the situation of humans vs. electronics in the U.S. The quote from Mr. Briggs follows:

“So how can the industry make the best use of this security mix, using both electronic and manned approaches in parallel so that they compliment each other and contribute to a safer environment? With so many different options available it is often difficult for customers to choose the best approach.”

“Companies are naturally striving to achieve the best security mix through analysing the various options available to them. CCTV, for example, has the benefit of acting as a deterrent as well as keeping a log of recorded surveillance. Yet at the same time companies still need a human, visible, deterrent that is able to intervene and prevent disorder on the ground.”

“In our experience at First Security we have found that by adopting a combined approach, an effective, tailored solution can be achieved. There are countless examples of where this is being used to good effect.”

“For instance, an automatic number plate recognition system (ANPR) placed at the entrance of a car park is able to recognise vehicles that have been registered with the police as stolen. When this happens, notification is flagged automatically to a security guard who determines where the vehicle is parked and reports this to the police for action. Awareness that a number plate recognition system is in use often acts as a deterrent.”

“Equally, turnstile technology acts as a physical barrier only allowing access to those with swipe cards or tags, which are read by computer-operated detectors. However, this does not stop individuals trying to beat the system by tailgating or jumping the electronic obstacle. This is where a security guard has an important role to play; firstly by acting as a warning and also, when incidents do occur, making a judgment, confronting the individual and dealing with the situation appropriately.”

“The right security solution does not have to comprise of technology alone or rely solely on manned guards. In fact, the best approach is to use both together to support and complement each other in an intelligent manner. Ultimately, an effective solution lies in creating the right balance to deliver an effective, safe and secure solution.”

◀ MARGINS ▶

Margins and EBITDA

Trend: The Gross Margins are trending down due to competitive pressures as well as operating costs. EBITDA shows insignificant change.

Typically, the well-run, closely-held, small to medium sized contract security company, will have better margins than its larger competitors. The reasons are:

1. The smaller contract security company is selling personalized service from the owner and many customers are willing to pay extra for this personalized attention.
2. The smaller contract security company operates in a limited geographic area or region; thereby cannot service or attract the larger customers with multi national or international sites. These “national accounts” are mostly handled by the larger national or international security companies; but the competition to win these types of customers is very intense. Therefore, the large security companies will bid these accounts at much lower margins (than the smaller companies are getting for their “local” accounts) in exchange for a larger volume of revenue, the prestige of providing security for some well known conglomerate, or the possibility of obtaining additional sites or other types of security for this conglomerate at much higher margins once the security company gets its foot in the door.

On page 16 is a chart showing the typical margins for the small, regional and national/international U.S. contract security companies – with an insignificant portion of the revenue coming from the governmental sector (typically very low margin business). There is no margin or EBITDA information published for the industry. The information was prepared based on a limited number of financial reports we examined, along with interviews with owners of contract security companies across the U.S.

The chart indicates a decrease in site and branch level profits over the past couple of years of approximately 2%. We see a larger decrease in areas that have recently been unionized as unions force the company to pay union dues and mandate expensive employee benefits. The overwhelming majority of the owners feel the margins will only get worse due primarily to more increases in the unemployment tax rates, anticipated increase in workers compensation rates, and having to absorb some of the cost of the Affordable Care Act.

It’s interesting to note that although the margins at the site and branch level have slipped approximately 2%, EBITDA has remained relatively steady over the past couple of years. This is due primarily to a lot of “belt tightening” at the home office level accomplished by being more efficient in utilizing the non-billable personnel, or eliminating altogether some non-billable personnel through investing in technology.

Revenue, Profit and EBITDA Matrix

	(4) Small Companies	(5) Regional Companies	National/International Companies
Revenue	100%	100%	100%
Profit at site Level (1)	16 – 17%	13 – 15%	11 – 13%
Profit at Branch Level (2)		8 -9 % (6)	8%
EBITDA (3)	6-7%	6-7%	5-6%

1. Site level profit is the billing to the customer less all costs assigned to the site, such as: compensation for the billable officer, wages for the dedicated non billable supervisor (if any), uniforms, employer payroll taxes, workers compensation insurance, general liability insurance, employer portion of health benefits, cost of equipment dedicated to the site, union cost, cost for non billable roving supervisors if there are a lot of “cold start” sites, etc.
2. Branch Level profit is the site level profit less all the cost to operate the branch office (for companies with multiple branch offices) such as: all non billable personnel in the branch, office lease cost, telephone, supplies, etc.
3. EBITDA is Earnings Before Interest Taxes Depreciation and Amortization.
4. Small Companies - Revenues less than \$10 million; owner manages the business and has customer relationships; operates from one office. Usually inefficient in back-office operation and pays more on a per-unit cost for insurance, uniforms, etc. In addition to the previously mentioned cost increases, gross margins are slipping due to the larger companies’ recent interest in the smaller accounts, which typically have higher margins. Also for the 2012/2013 reporting period, the gross margin has been even more adversely affected by the continuing rise in unemployment taxes.
5. Regional Companies - Revenues \$10 - \$100 million; owner less involved in customer relationships, operates multi-offices – usually volume is \$5 - \$10 million per office. These medium sized companies are also experiencing margin slippage due to the previously mentioned costs
6. The Branch Level profit can be much lower for regional companies with many small offices in areas with an insufficient volume to justify the branch office overhead necessary to service the volume. This is often found in companies that are expanding through entering new markets, or having to maintain a support office to service a large account with multiple locations.

◀▶ **MERGERS** ▶◀

Merger and Acquisition Activity

Trend: There was a significant increase in the merger and acquisition activity in the U.S. security sector during the 2012 calendar year.

Below is a list of some of the significant ***announced*** transactions – pertaining mostly to the contract security and electronics sector of the security industry. The list includes foreign as well as domestic transactions for international companies with a significant U.S. presence. Although security company giants Securitas and G4S were active in making acquisitions; they were not as active as in past years and their concentration remains primarily in the emerging markets rather than the U.S.

U.S. Contract Security Transactions:

- April 02, 2013 – [Universal Protection Service Acquires Allegiance Security Group from Trivest Partners, LP](#)
- March 5, 2013 – [Proposed Divestment of G4S Government Solutions, Inc. \(U.S.A.\)](#)
- December 31, 2012 – [Universal Protection Service Acquired the Security Officer Services Division of T&M Protection Resources, LLC](#)
- December 31, 2012 – [SOS Security LLC Announces its Recapitalization by ZS Fund L.P.](#)
- December 21, 2012 – [Altamont Capital Partners Acquires Omniplex World Services Corporation](#)
- September 01, 2012 – [Universal Protection Service Acquires A&R Security Services, Inc. and United Security, LLC.](#)

Foreign Contract Security Transactions:

- June 07, 2013 – [Securitas to Acquire ISS' security services operation in the Netherlands](#)
- April 26, 2013 – [Tyco International sells its Canadian manned guarding business to Garda World](#)

- September 18, 2012 - [G4S to acquire Brazilian security provider Vangarda](#)
- August 13, 2012 - [\(France\) Fiducial Private Security buys Neo Security](#)

U.S. Electronics Company Transactions:

- July 31, 2013 – [ADT to acquire Devcon Security for \\$148.5 million](#)
- July 10, 2013 – [Monitronics International to Acquire Security Networks](#)
- May 15, 2013 – [NorthStar Alarm partners with Goldman Sachs](#)
- February 06, 2013 – [SAFE Security acquires 24,000 accounts from Pinnacle](#)
- January 30, 2013 – [Protection 1 Expands IT Capabilities with Pinnacle Security Buy](#)
- November 28, 2012 - [COPS Monitoring acquires AlarmWATCH](#)
- October 30, 2012 – [Monitronics Purchases 93k Pinnacle Security Accounts](#)
- October 30, 2012 – [Tyco Integrated Security Purchases Carter Brothers Fire & Life Safety](#)
- September 18, 2012 – [Vivent to be sold to Blackstone in \\$2 Billion Deal](#)

Foreign Electronics Company Transactions:

- January 3, 2013 - [Tyco acquires First City Care](#)

Other Transactions of Interest:

- October 8, 2012 - [ABM to Acquire AirServ Corporation](#)
- April 22, 2013 - [Stanley partners with U.S. Security Associates](#)

World News of Interest:

- 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.](#)

Overview of Worldwide Completed Transactions

There were 113 announced worldwide completed transactions in the calendar year 2012, compared to 74 in 2011 and 65 in 2010.

Also of interest is the number of contract security company (guard company) transactions: On a worldwide basis, the number of transactions represented about 33.6% of the total transactions for 2012, but was 33.7% of the total transactions in 2011. This underscores the fact that the electronic security market is growing faster than the security officer market on a worldwide basis, as well as here in the U.S.

Note: We label Contract security companies as “Guard” or “Guarding” in the charts below in order to stay consistent with the terminology used mostly in the articles sourced for this report – many being for foreign company transactions:

<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

<i>Country</i>	<i>Guard</i>	<i>Alarm Monitoring</i>	<i>Systems Integration</i>	<i>Other</i>	<i>TOTAL</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

Private Equity Groups Making Investments in the Contract Security Industry

Trend: Private Equity Groups (PEG's) continue to view the security industry as a good investment. Trivest Partners and Pegasus Capital Advisors divested their U.S. contract security investments and ZS Fund LLP partnered with SOS Security LLC.

The Private Equity Groups continue to be interested in making acquisitions in the contract security market, as evidenced by the investment ZS Fund made in SOS Security in December, 2012. Trivest Partners divested its interest in Allegiance Security Group and Pegasus divested its interest in the U.S. contract security business of T&M Security as these two PEG's reached the end of their holding period and distributed the proceeds of the funds to the investors.

So why are Private Equity Groups still considering making acquisitions in the contract security market? Collectively, the Private Equity Groups raised a record amount of commitments during the years 2005 – 2007 and because of the downturn in the economy they're behind on putting these funds to work for their investors. Some estimate the size of the idle cash to be several hundred billion dollars. The Private Equity Groups are now scrambling around to find viable investments that will give their investors an attractive return and are looking to the security industry as investment possibilities. Also, the interest rates for acquisition loans are low, making an even more compelling reason for the PEG's to seek acquisitions at a rapid pace. However, in spite of this pent up demand to put the cash to work and the low interest rates, only a few Private Equity Groups are interested in investing in contract security companies for reasons set forth later in this report.

There are however, a number of Private Equity Groups interested in the high margin side of the security sector (i.e.; biometrics, electronic security, etc.) and some are looking at large contract security companies (even though the industry is expected to grow at an “unexciting” rate of around 5% per year) as a platform from which to build for the next 5 years; then sell at the end of the 10-year life of the fund. There are presently several large privately held contract security companies “ripe” to be acquired by Private Equity Groups; the latest large transaction was the acquisition of Wind Point Partners interest in U.S. Security (now a \$1.3 Billion company) by Goldman Sachs in July of 2011.

Also, some of the Private Equity Groups with investments in the contract security industry have reached their time to exit as in the case of Trivest Partners and Pegasus Capital Advisors. This provided attractive “buy” opportunities for Universal Protection, a company presently very active in buying strategic, well-managed contract security companies.

Some well known Private Equity Groups presently with significant investments in the contract security industry are:

- *The Blackstone Group* (www.blackstone.com) has a significant investment in AlliedBarton (www.alliedbarton.com) - approx. \$1.9 Billion in annual revenue.
- *Goldman Sachs* (www.goldmansachs.com) has a significant investment in U.S. Security Associates (www.ussecurityassociates.com) - approx. \$1.3 Billion in annual revenue. Goldman Sachs purchased WindPoint Partners' ownership on July 29, 2011.
- *LaSalle Capital* (www.lasallecapitalgroup.com) started United American Security LLC (www.unitedamericansecurity.com) in April 2010, through the simultaneous purchase of 3 existing companies – Industrial Security, Inc., Leonard Security Services, Inc. and Eagle Security, Inc; and has since grown to be a significant player in the contract security industry through several “tuck-in” acquisitions.
- *ZS Fund LLP* (www.zsfundlp.com) entered the contract security in December 2012 with a major investment in SOS Security (www.sossecurity.com)

As mentioned earlier, Private Equity Groups typically see a lower return on their initial investment in the industry since they do not have the advantage of synergistic savings when making this initial acquisition. However, as the groups make future acquisitions that are “fold-ins” to their existing flagship portfolio company, the returns are much more attractive. When all the investments are averaged, the return on the initial purchase becomes much higher.

The positive aspects of the contract security industry for Private Equity Groups:

1. There are still many consolidating opportunities left for Private Equity Groups wanting to get large in the industry through a series of acquisitions. [See previous chart of “Composition – by Company Size”] Typically, the investment group will have to pay around 8 - 10 times (or even higher) the *seller's* adjusted EBITDA to get into the business, then make “fold-in” acquisitions for EBITDA multiples (from the buyer's pro-forma profit calculation) in the 5-6 range (and sometimes much lower).
2. The multiples for the resale of the companies when the investment groups make their exit have been, and still are, very attractive.
3. The contract security industry, in terms of future growth prospects, is much better than the general population of investment opportunities.

The negative aspects of the contract security industry for Private Equity Groups:

1. **Target for lawsuits:** Since the contract security companies are labor intensive, they are prime targets for workers compensation, employee harassment, equal opportunity workers violations and general third party claims (theft, harassment, destruction of premises, accidents, etc.).
2. **Labor intensive:** Frequent target for unions, unemployment law changes, low paid employees, constant changing training and hiring requirements etc.
3. **Low barrier to entry:** Presently the states mandate the laws required to enter the security guard business and in some states all that is required is a \$40 business license.
4. **“Perceived” Bad Reputation:** The contract security industry in the U.S., unlike its counterparts in other parts of the world, has a reputation of getting its work force from the ranks of personnel that do not qualify for other industries. It’s perceived as a low pay/high labor turnover, poorly managed industry, resulting in a “not so favorable” industry in which to invest. However, as mentioned earlier in this white paper, one of the reasons contract security companies get bad publicity is because they are larger targets than the public security providers – having over twice as many personnel as the public police forces.

◀▶ MULTIPLES ▶◀

Selling Prices for Large Contract Security Company Transactions

The following summarizes the large announced transactions for the past 14 years for U.S. sellers offering primarily contract security officer (guarding) services. Note that there's no consistency in reporting the assumption of long-term debt when the companies made the announcement, thereby producing somewhat misleading conclusions on the total enterprise value price for some of the transactions. In some cases – as in the Cognisa/U.S. Security transaction – part of the purchase price was paid based on account retention post closing and the amount of the post closing payment was not announced.

Company Sold	Buyer	Revenue	EBITDA	Price	Price as Multiple Revenue EBITDA	
1999						
Pinkertons	Securitas	\$1B	\$33M	\$407M	40%	12.3x
2000						
Burns	Securitas	\$1.5B	\$65M	\$576M	38%	8.9x
2002						
Wackenhut	Group4/Falck	\$2.8B	\$73M	\$570M	20%	7.8x
Vance International	SPX	\$95M	N/A	\$67M	84%	N/A
2003						
Allied Security	MacAndrews & Forbes	\$500M+	N/A	\$250M+	50%	N/A
2005						
Cognisa	U.S. Security Associates	\$100M	N/A	\$40M	40%	N/A
2006						
Vance International	Garda World	\$155M	N/A	\$67.2 M	43%	N/A
Initial Security	AlliedBarton	\$240M	N/A	\$73.6M	31%	N/A
2008						
AlliedBarton	Blackstone Group	\$1.5B	N/A	\$750M	50%	N/A
Andrews International	Audax Gorup	\$225M	N/A	\$161M	72%	N/A
2009						
Vance International	Andrews International	\$128M	\$4.5M	\$44.25M	35%	9.8x
2010						
* Paragon Systems, Inc.	Pinkertons Government Svcs	\$140M	N/A	\$34.5M	25%	N/A
2011						
* Security Consultants Group	Paragon Systems, Inc.	\$106M	N/A	\$22M	21%	N/A
** U.S. Security Associates, Inc.	Goldman Sachs	\$765M	N/A	N/A	N/A	N/A
2012						
*** Andrews International	U.S. Security Associates, Inc.	\$350M	N/A	N/A	N/A	N/A

N/A = not provided in the announcement

* These are the only announced transactions for a major provider of security services to the Federal Government. Typically, the margins for Federal government accounts are

less than traditional commercial accounts, thus the selling multiple as a percent of revenue is less than the industry average for traditional commercial accounts.

** WindPoint Partners sold its equity portion to Goldman Sachs. The revenue amount shown is from the July 2011 issue of The Security Letter.

*** This transaction was announced as a merger.

As can be concluded from the previous analysis, most of the large announced transactions indicated purchase price values in the 8 – 10 times EBITDA range; or 40% of annual revenues. Many of the transactions have involved a larger security company buying its competitor, or in the case of Securitas buying Pinkerton, APS and First Security, the purchase was a way to get large in the U.S. market quickly. The announcements do not indicate what the buyer's return on the investment was after considering consolidating advantages, elimination of redundant costs, etc.

In the case of Private Equity Groups buying a large contract security company as a way to enter the market, the multiples paid were at least as high as what the industry buyers were paying, even though the PEG'S return on investment in the short term was not as attractive as the industry buyers were enjoying. However, the PEG's had to be competitive in the bidding process for the initial buy. As the PEG's made future acquisitions through the flagship company, their returns became a lot more attractive, especially if the acquired company folded into the flagship company's operations – thereby through averaging the prices paid for the multiple purchases, the return on the initial purchase became a lot more attractive.

Selling Prices for Small Contract Security Company Transactions

Selling Multiples

The prices being paid for the smaller companies over the past two years, expressed as a percentage of annual revenue, are about the same as the larger transactions; but in some cases, for strategic acquisitions in this 2012/2012 reporting period are much higher. The multiples of the **sellers'** reported EBITDA are higher for the smaller transactions than the larger transactions, since the buyers in the contract security industry give the seller credit for the redundant cost savings that benefit the buyer in the transaction.

For many years, and unfortunately even today, many owners thinking about selling are still using the traditional “street formulas” as a way to estimate the eventual selling price of the company. These “street formulas” use multiples of gross units (percentages of gross annual revenue or multiples of gross monthly billing) as a way to put an estimated value on the company. However, these street formulas usually result in the company being grossly over-priced or, worse yet, under valued. When we look at the transactions we've managed over the past few years for companies with volumes between \$5 million and \$150 million, the selling multiples, as a percentage of annual revenue, were as low as 20% to as high as 50% of revenue, for just the accounts (i.e.; if the buyer purchases the balance sheet items, these items are added to the price based on the balance sheet carrying value).

In fact, the “street formulas” were never used by the experienced buyers. These buyers use the profit at the account site level (which determines the buyers' economic return on the acquisition), along with the attractiveness of the accounts, quality of management going with the sale, geographic location of the accounts – and several other characteristics important to buyer prospects.

The Affordable Care Act and the Anticipated Valuation of Selling Companies

TREND: Unchanged since the July 2012 report. Penalties for not providing qualified and affordable health coverage to eligible employees extended to January 01, 2015 (from January 01, 2014)

The question on the minds of owners thinking about selling today is: How is the Affordable Care Act going to affect the value of my company? If the seller has been preparing the customers for an increase in billing rates to take care of the additional healthcare costs, then the selling value of the company should not be negatively impacted. However, if there is an increase in the number of quality companies going on the market, the market may change to be more buyer favorable; in which case, the values of even the quality companies may diminish. Since there will be more companies on the market, the buyers can better “pick and choose” who they want to buy and have more influence in dictating the price. As of the writing of this white paper, the effect of the Affordable Care Act on the sale of contract security companies is still very uncertain, so we cannot predict how this Act will affect the sale of companies, if at all.

It's still a Seller's Market

Trend: Seller's multiples reached an unprecedented high for the July 2013 reporting year as buyers increased their offers in order to get the attention of owners of quality contract security companies.

The large contract security companies, which are usually the most generous on pricing, need to work hard to replace the business lost in the economic downturn – shareholders don't like to see decline in revenues even in a challenging economy. But these large companies are finding it difficult to maintain its 5% - 8% net growth through internal sales alone. A \$500 million company with a 5% customer attrition rate has to grow 10% - \$50 million - just to maintain a 5% overall net growth. Therefore they are looking to acquisitions to make up what they can't accomplish through their internal sales efforts - the larger the company, the more the need to make the smaller, tuck-in acquisitions as a way to keep the shareholders happy. In order to attract the attention of owners of attractive target companies they have to be generous in their offers.

Also, another reason the larger companies are buying and paying generous prices is that they presently have an abundance of cash on their balance sheet that they need to put to work and buying the smaller companies – with gross margins that tend to be 5% - 7% higher than the buyer's – is the most prudent use of this cash. However, while the generous buyers are still very active in making acquisitions, they are doing so with cautious optimism. Many are concerned that they need to preserve more of this idle cash to hedge against the uncertainty in the economy today, such as: the new healthcare bill, rising operating costs and loss of customers.

How long will the market be in the Sellers' favor?

Do the buyers' uncertainty signal a slow down in the acquisition activity? Some say yes, while some say the present economic climate may spur an increase in acquisitions as more and more "quality" companies come on the market. Do we see a "buyers market" on the horizon?

Factors Driving Owners to Sell in Today's Market

Trend: Higher Operating Costs, Increased Competition and More Attractive Multiples putting owners in selling mode.

1. **The cost of implementing the New Healthcare Bill (Affordable Care Act) -** While it's unknown what the exact impact this bill will have on the contract security market, most owners think it will definitely mean less profits and loss of customers or billable hours. (See discussions on this under the section "Challenges for owners of contract security companies".)
2. **Small to medium sized companies are losing business to the national account providers -** This trend has been going on for several years and, according to the owners of many of these companies, the situation is getting worse. The large, well financed, companies are now going after the smaller customers that tend to have better margins. Previously, these customers were too small to be a target for these large security providers. This trend is further underscored by the fact that the largest 4 U.S. contract security providers grew by over \$1 billion in the past 24 months – a lot of the new business coming from the customers of their smaller competitors. This loss of business is causing the owners of the smaller companies to seriously think about selling before more business is lost to the large national companies.
3. **Possible lower valuations later -** Many owners feel that the challenges of the future will mean more companies will be put on the market, thereby causing a decrease in the valuations for a future sale.
4. **Probable increase in taxes -** (See discussions on this under the section "Challenges for owners of contract security companies".)
5. **Unionization –** (See discussions on this under the section "Challenges for owners of contract security companies".)
6. **Not being able or willing to keep up with the changes needed to stay competitive in today's market.** As we mentioned in the section on margins, the margin at the site level is dropping for most companies – whether small, medium or large, these companies are compensating by getting more efficient below the site level line. They are reducing clerical labor and non-billable overtime percentages by investing in technology that enables them to run the company with less people and at the same time be more efficient. However, the technology costs money and many owners today, especially those getting close to retirement age, just aren't willing to make the investment that doesn't give an immediate return. Also, the training, tax, and licensing laws are getting much more complicated, which in some cases have required an investment in outside

consultants – which is another new expense; not to mention the expense that will be associated with complying with the new Affordable Care Act.

7. **Original owners reaching retirement age.** Many contract security companies today were started 30 – 40 years ago, when the trend to outsource security was getting started in a big way. These owners are now reaching retirement age and are looking to sell their business.

Why Owners Are Not Rushing To Put The Company On The Market, In Spite Of Shrinking Margins and Revenue

Trend: Basically unchanged since our July 2012 report

In Volume 15, No. 1 of our issue of *Notebook of Ideas for Divestitures of Security Guard Companies*, we mention four reasons owners are not putting their company up for sale now:

1. **Owners consider the industry recession proof:** contract security company owners see continuing activity in the market, so they are taking a “wait and see” approach to selling, thinking that buyers will still be there when they get ready to sell.
2. **Decline in alternative investment opportunities:** Before the recent economic downturn raised its ugly head, many sellers of contract security companies made more money from the funds they invested from the sale of the company than they made while owning and operating the company. However, with the dramatic drop in real estate values, and money markets and the stock market declining so dramatically, doing this safely and profitably in the current economic climate would be very difficult.
3. **Owners have not yet “tested” their credit lines:** Many of the more fortunate contract security companies established or renewed its credit lines back when the banks were eager to please and more anxious to lend money, and the credit line will not come up for renewal for several more years. Most are still safe with their loan terms and have not actually talked with their bank about what to expect come renewal time. They feel reasonably, but cautiously, optimistic that their banks will continue to support their financial needs.
4. **Some companies have already lost value:** Some of the contract security companies have, in fact, already felt the effects of this challenging economy and have lost value – not because the selling multiples have gone down, but because the company has lost valuable and profitable revenue. The owners do not want to have to sell for a reduced price because they still have high expectations, so they are waiting for the economy to turn around before they think seriously about selling.

◀▶ **OUTLOOK** ▶◀

Challenges and Opportunities for Owners of Contract Security Companies

TREND: In the past 12 months, there have been many developments that have been announced that will, or may, take place in the coming years that could have a dramatic effect on owners of private security companies. Many of these developments are prompting the owners to seriously consider selling their company in 2013 or 2014, before these expensive provisions (taxes and certain ACA regulations) take effect:

CHALLENGES:

New Healthcare Bill (Affordable Care Act) and the Individual Mandate

On June 28, 2012, the U.S. Supreme Court upheld the Affordable Care Act, which was not the decision owners of contract security companies had been waiting to hear – it was “bad news” for this labor intensive industry. The U.S. Supreme Court ruled that the “Individual Mandate” provision of the Act was a tax (and not a penalty) therefore, for the most part, the Act was constitutional.

Up until the ruling, most owners were in a hold pattern on taking any action to adhere to the ACA provisions. Now owners are scrambling around trying to find out just how the ruling affects their business and what they need to do to get it in place. In May of 2013, Congress passed a rule extending the dreaded penalties for not complying with the act to January 01, 2015 (from January 01, 2014). Although this gave owners some breathing room and more time to plan what they are going to do; some see this as just “kicking the inevitable further down the road”. And to make matters worse, as of the writing of this white paper, there has not been any clear guidance issued as to how the Act will work – particularly the precise requirements of an “Affordable Qualified Plan” – what companies employing more than 50 people must offer their employees or pay a large per employee penalty. The general consensus is that it will certainly increase operating costs. Many owners say they will be able to pass all or part of this cost increase on to their customers; but they are saying this with reservation. While some owners started putting a clause in their customer contracts a couple of years ago that gives them the right to pass this additional cost along in the form of higher billing rates, they readily admit that some customers cannot, or will not, accept the price increase. This will result in lost customers, decrease in billing hours; or decrease in the security company’s earnings, in the case where the security company has to absorb the additional cost.

The few optimistic thinkers are saying the ACA will create a level playing field when time comes to bid on a customer contract. In the past, the company that furnished its employees with an expensive health care plan had a difficult time competing with the company that did not provide an expensive plan, or provided no plan at all. With all the bidders having to have an expensive health insurance plan in place, for the most part the bidding companies are now working with the same cost structure.

Further Unionization of the Contract Security Industry

Trend: no change from July 2012 white paper report

In early 2010, President Obama, in a recess appointment, appointed a SEIU lawyer to head up the National Labor Relations Board. This, coupled with several news articles surrounding the SEIU's connection to the White House (the frequent visits by SEIU executives and the large financial support to President Obama's election campaign), gave contract security company owners great concern over the gaining strength and influence of the unions and their continuing heavy handed approach to unionization. Recent reports indicate the unions' attempt to establish union work forces through a "card check" procedure (making it much easier for the unions to get certified), as well as allow part time employees to join the union and the use of corporate e-mails for organization efforts.

Increase in Federal Income, Capital Gains and Inheritance Taxes

Trend: Capital gains taxes increased from 15% to 20% and expected to go higher.

Because of the heavy Federal deficit, the Federal Government is looking for ways to bring more money back into its coffers. Unfortunately, the business owners and the high earners will be paying its "unfair" share of helping restore the treasury. In January of 2013, the capital gains rate was increased from 15% to 20%, which has already adversely affected owners selling their company. But there are rumors that another change may be coming that will make it even more expensive to sell.

In a recent article our firm published on this subject, before the tax increased from 15% to 20%, we gave examples of how much the worth of a company had to increase for an owner to net the same after taxes on a future sale as it would net had the company been sold in 2012. To view the entire article, [click here](#).

Higher Unemployment and Other Taxes

Owners of large and small companies are experiencing very large increases in unemployment taxes as a result of the U.S. high unemployment rates – which presently do not have any significant improvements predicted for the near future. As state unemployment funds continue to diminish, the rates will continue to rise – already approaching double digits in some states.

Also, many municipalities are trying to pass legislation to tax services (not presently subject to sales tax) in an effort to make up for the diminishing tax based revenue resulting from the diminishing economy. This sales tax is usually passed on to the customer contracting for the security, but it definitely impacts the customer's cost of security, which in turn puts pressure on the customer to ask for price concessions from the security service provider.

OPPORTUNITIES:

Some owners see opportunities ahead. They are still experiencing growth and have positioned their company to “deal” with the challenges:

1. New Healthcare Bill creates a level playing field in the bidding process. Up until now, when several companies were bidding on new business; many of the bidders had very expensive healthcare plans and couldn't compete on the cost structure against the companies that were self insured, or did not provide and/or pay for the employees insurance. With the passage of the Bill, many of the companies that have been disadvantaged in the bidding process feel that this passage will help them win more new accounts as the playing field for new business is now more leveled. (See more discussion under “Challenges” above). However, there is still a concern among many owners of small contract security companies that their larger competitors will be buying insurance at cheaper rates because they will be buying in larger volumes or may even be self insuring.
2. Many owners feel that the “in-house” security market may now open up as a result of the New Healthcare Bill and overall cost increases in employing workers – especially workers that have been with the company for a long time.

Below are some recent examples of municipalities looking for ways to contain cost as it's faced with having to raise rates to its customers

- [A recent article in the “Security Director News”](#) tells about the Tennessee Valley Authority laying off 61 police officers for more technology and contact “guards”. This came as a cost saving strategy as the TVA struggled with the inevitable need to raise the rates to its customers.

- The November 2, 2011 issue of the “Security Director News” describes two municipalities looking at contract security as a way to save taxpayer monies. Admittedly, the larger security companies will benefit more from the “Healthcare” reason to move from “in-house” to contract security because the larger companies can afford the less expensive self-insured plans.
3. Some of the larger regional companies have recently improved their credit lines to open up a source of borrowings for small, tuck-in acquisitions. As companies that have not prepared themselves to handle the “challenges” come on the market, these well-funded regional companies may be in the position to make a few acquisitions at prices more favorable to the buyer.
 4. Recent move to privatize security screening at airports could create a large market not available to most contract security companies since the TSA was formed after the events of 9/11. A November 2012 article in Security Info Watch highlighted this trend.

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