U.S. CONTRACT SECURITY MARKET

WHITE PAPER AUGUST 2023

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THE U.S. DURING THE REPORTING PERIOD

Here's what happened in the U.S. from January 2022 to the end of August 2023 (the 20-month "reporting period" for this White Paper) – and what the ***future may hold for the US Contract Security Industry***

Increased Crime – During the reporting period, our country continued to experience an unprecedented number of mass shootings, and racially and politically motivated demonstrations, riots, and crimes against the police forces, as well as international crimes such as the Russian invasion of Ukraine.

The Pandemic – The rampant COVID outbreak during 2020 through most of 2021 mostly subsided to the point the World Health Organization issued a statement saying that it was no longer in pandemic proportions. However, just recently, a new strain of the virus has appeared, which some say is more contagious and potentially more dangerous than the original strain. As of the release of this white paper report, there's no indication that this new strain will duplicate the damage to our economic system and our health as the original strain, but it's too early to tell.

The Dow Jones Average – in January 2022, the average hovered around 35,500 points. It reached its highest level in July of 2023 at a little over 36,000 points and its lowest on September 01, 2022, at 28,700 points. On August 22, 2023, the DOW closed at 34,200, – slightly lower than where it was at the beginning of this 20-month reporting period. But financial experts are saying that it may go lower if our country slips into a recession – which may happen if the Federal interest rate keeps increasing.

The Unemployment Rate – In January of 2022, the rate was 4.0%. It has hovered around that point and today is around 3.5% - not much movement in the past 20 months – which, as everyone knows, that's in the manned guarding industry, challenges the hiring process for qualified security officers.

The Inflation rate – The inflation rate was around 7% at the start of 2022. It kept climbing to hit its highest point in over 40 years in June of 2022, when it reached 9.1%. This was when the federal government stepped in with a series of interest rate hikes, more fully explained below.

The Federal Funds Rate – The federal funds rate is the interest rate banks pay for overnight borrowing in the federal funds market. It affects the rates banks charge their customers to borrow money, which can negatively affect the valuations of companies in a sale transaction. From June 2020 through January of 2022, the federal funds rate stayed at less than 1%, but has dramatically increased through a series of rate hikes as a tool to curb the rapid rise in inflation (see above). The Fed rate as of August 14, 2023, was 5.3%; with more increases to come. Most economists are saying that the rapid rise in the fed rate will throw our country into a recession.

As we've reported in prior White Papers, the contract security industry is relatively resistant to recessions, and a recent report from ***Fitch Ratings*** underscored this position but went on to say that ". . . a recession can also have positive cost effects, as rising unemployment can reduce pressure on wages, overtime, and turnover". This is also consistent with many of the comments we received when we surveyed owners of contract security companies in gathering information for this White Paper report.

ABOUT THIS EDITION

This annual White Paper marks our 15th year of reporting on the status and direction of the U.S. Contract Security Market. Although the topic headlines remain relatively unchanged from year to year, the information within the headings are updated to reflect the current status of the industry. As with all annual White Papers, some information is inherent to the ongoing activities of the industry, therefore will not change, or will have insignificant changes from year to year. Some information will be duplicated if it applies to multiple topics.

Our Qualifications to Publish This White Paper on the U.S. Contract Security Market

- We have completed over 250 sell-side engagements for publicly and privately held sellers located in 8 countries, and having revenues ranging from $2m - $250m.
- We have consulted on sales for several companies with revenues exceeding $2bn.
- We constantly search the internet and news sources for information on global acquisitions, mergers, and joint ventures.
- We have proprietary files on over 3,000 mostly privately held security companies, not available in public lists or files.

Primary Sources of Information for this Report

- Annual Reports on the public security companies
- Global news releases
- Federal government reporting agencies
- Our private, confidential files on over 3,000 manned guarding companies operating primarily in North America
- Interviews with the owners of many of the U.S. and international manned guarding companies

The Market - Revenues and Number of Employees (Pages 9 - 48)

This 2023 reporting year pegs the North American contract security market at approximately $36 billion, based on the **run revenue rate** from the latest interim reports for the World Leaders, as well as the interviews with the owners of privately-held companies. This represents an increase of $2 billion over last year's figure. A significant portion of the increase comes from higher billing rates for existing customers. However, about $1 billion is coming from purchases of companies previously reporting their revenues outside the manned guarding sector of the contract security market, such as the purchase of Stanley Black & Decker's systems integration business by Securitas. Revenues from the U.S. market are about $33 billion, considering Canada and Mexico traditionally represent approximately 10% of the North American market. Additionally, when the $3.5 billion electronic security and systems integration revenues are considered, the manned guarding portion of the U.S. contract security market is around $28.5 billion - an increase of $1.5 billion over last year's figures. We estimate the number of contract security companies operating in the contract security market in the U.S. as 8,000 - no change from recent previous year's reports. The combined revenues of the top 26 companies are approximately $29 billion - representing almost 90% of the total U.S. contract security market.

Since most of the revenue growth comes from increases in billing rates instead of billable hours, we estimate only a 2% increase in the total employed in the U.S. contract security market - bringing the total employed to 850,000 for the 2023 year.

Margins (Pages 49 -54)

We're calling the period covered by this 15th edition white paper "A Period of Transition". As the companies realized early in the 2022 year that the labor would be a long-term challenge, they started a period of transition where they would restore their margins to pre-pandemic levels (and some even improving on the pre-pandemic margins) by instituting bill rate increases to their customers and investing in higher-margin technology offerings. However, when we surveyed he owners, we learned that they were in different stages of restoring their margins. Some were reporting success in getting about half, or much more, of their customer base to agree to increases, while others were just getting started. Most of the larger companies reported revenue increases in the 10% - 20% range coming from billing rate increases, with more expected as they work hard to convince the customer base of the need for the increases. The smaller companies were less engaged in obtaining bill rate increases for concern over losing the customer, whose margin, although diminished because of the increase in the cost of labor, still contributes to the overhead in running the company.

OVERVIEW OF THE 2022 WHITE PAPER

Mergers (Pages 55 - 62)

The number of mergers, or larger companies buying their smaller competitors, decreased in the reporting period when compared with the number reported in last year's white paper report. Most of the aggressive buyers of the past are growing nicely organically or have filled in the gaps in their footprint - a reason for being more proactive in acquisition in the past. Some of the market changing acquisitions detailed in this section are: Securitas buying the systems integration business of Stanley Black & Decker - increasing Securitas' worldwide volume in this sector by about $2 billion - $1 billion in North America. ADT announced the pending sale of its ADT Commercial (ADTC) business to former "superstar" executives, who actually started ADTC in the systems integration business. ADTC competes with Securitas and Allied Universal in this sector. The Paladin Group announced the pending sale of its systems integrations subsidiary to BOSCH - the approval of which is pending as of the date of publishing this white paper.

Multiples (Pages 63 - 66)

The multiples announced for significant large transactions in the past have been around 10X - 12X EBITDA. There are indications that the multiples will remain in these ranges, or higher, for the large privately held security companies (in spite of the high interest rates) as the interest in the security space by the private equity groups remain strong in the opportunistic growing contract security market.

As the activity in buying the smaller security companies has decreased, so has the valuations. Although some of the buyers are still aggressive, they are no longer in the "buy now, fix later" mode. The smaller privately held sellers operating in a target area for a buyer can still command unprecedented multiples if the seller has low liability accounts with high enough bill rates to attract quality labor, and has credible GAAP prepared financials.

BY THE NUMBERS

OUTSOURCED AND IN-HOUSE SECURITY MARKET

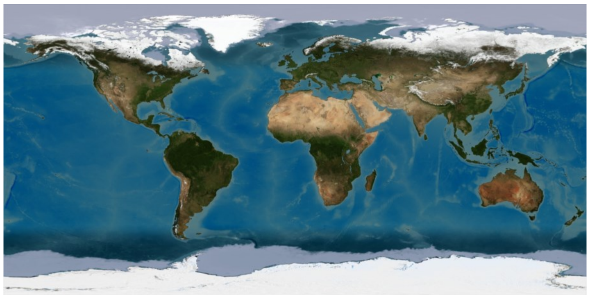
$45bn

OUTSOURCED CONTRACT SECURITY MARKET

$33bn

$22.4bn

REVENUES FOR THE 4 MARKET LEADERS



$6.5bn

REVENUES FOR THE 2 MAJORITY FOREIGN-OWNED INDUSTRY LEADERS

OUTSOURCED SECURITY OFFICERS	COMPANIES IN THE UNITED STATES	(1) INORGANIC GROWTH FOR THE U.S. MARKET	(2) ORGANIC GROWTH FOR THE U.S. MARKET
850k	8k	1%	8%

(1) Acquisitions of companies outside the Contract Security Industry

(2) Primarily price increases to existing customers

MARKET

MARKET

Our 2013 edition of the white paper was labeled “White Paper on the Security Guard Industry” – an appropriate title over 12 years ago. However soon after that, the large companies such as Securitas and G4S (now a part of Allied Universal) started a paradigm shift where they would expand their menu of services to include higher-margin technology offerings in anticipation of the eventual rising cost of labor and benefits.

Today, the “Contract Security Market”, with most of its revenue still coming from standing security officer services, has expanded its offerings to include even more technology as well as nontraditional “manned guarding” services. According to the public reports and interviews with the owners of companies in the U.S. market, we estimate 10% of the $36 billion North American contract security market is coming from security offerings not requiring a large labor component – such as various forms of technology. There has also been an expansion of services outside the traditional manned guarding offerings. Below is a sample of the services we saw when we visited the websites of various large and small companies in the U.S. market.:

- Traditional on-site standing security officers (often enhanced by a roving vehicle patrol function)
- Remote video monitoring
- Robots
- Drones
- K-9 security
- Systems integration - often with artificial intelligence platforms
- Roving vehicle patrol
- Traditional concierge services
- Executive protection
- Investigation services
- Cash-In-Transit (armored car services) - although only to a limited extent, if any, provided by a traditional manned guarding company.
- Cyber security—although offered on a limited basis by the traditional contract security companies.
- Janitorial services
- Temporary staffing
- Off-Duty Officers
- Closed community security (mobile patrol)
- School Resource Officers (SRO’s)
- Supplementing public police forces

MARKET

Highlighting the World Leaders

The four World Leaders highlighted in this report have at least $1 billion in revenues from manned guarding services globally, with the largest portion of their revenues coming from the U.S. market (except Prosegur) - the largest security market in the world.

These companies have a combined footprint in approximately 200 countries and are large enough, and have sufficient financial resources, to lead the charge in changing the way the next generation of security companies will meet the ever increasing demands of its customers and general public.

As indicated in the section on the World Leaders, each company is expanding its menu of services to incorporate the use of technology. They have been pouring large amounts of capital in developing this technology over the past few years and are now using it as a way to meet this ramped up demand and move farther away from some of their smaller manned guarding competitors - ones without the resources for the large investment in technology and perceived as a provider of commoditized, low-margin services.

Important Note to Reader

The information on the four leaders presented on pages 12 to 41 was gathered from market sources and primarily the annual reports (in the case of Securitas, Prosegur, and GardaWorld). The companies do not follow a uniform format (from one company to the other) in reporting their revenues, market statistics, identifying services offered, etc. Therefore the information presented on these pages should not be used to compare one company's performance against any of the other companies, but should only be used to evaluate the performance of the individual company. It is suggested that the reader visit the company's website to obtain further information on the company's performance, especially in conjunction with the footnotes accompanying the information being presented.

FOUR WORLD LEADERS

MARKET

Company	Country Headquarters	Revenues (1) Globally Local Currency	in U.S. $ (2)	Approximate U.S. Revenue	
ALLIED UNIVERSAL SECURITY SERVICES	United States	$20.5bn	$20.5bn	$13.5bn	(5) (6)
SECURITAS	Sweden	MSEK 133,237	$13bn	$6bn	(5)
PROSEGUR	Spain	€4.2bn	$4.4bn	$0.5bn	(3)
GARDAWORLD	Canada	CN$5.3bn	$4.1bn	$2.4bn	(4)

(1) All revenues are for the 2022 year, except allied Universal, which ends its year June 30, 2023, and Garda-World, which ends its year January 31, 2023

(2) Local currency to U.S. dollar conversion rates (based on average rates for the 2022 year)

MSEK	= million Swedish Krona	1 SEK = $0.094
€	= Euro	€ 1.00 = $1.05
CN	= Canadian Dollar	CN$1 = $0.7692

(3) Prosegur entered the U.S. market in early 2019 and presently has approximately $500M in revenue from U.S. operations

(4) Includes approximately $900M in cash-in-transit revenue services in the U.S.

(5) Represents approximate total revenues for North America; with a significant amount coming from U.S. sources, and an insignificant international portion

(6) Amounts from news releases since financials are not published as public information

NOTE: The Paladin Group, headquartered in Vancouver, British Columbia reached revenues of over US$1 billion during the reporting period. However, when the divestment of its $400 million systems business to Bosch is approved, its revenues will be approximately $600 million.

ALLIED UNIVERSAL®
There for you.

(Amounts are Approximates)

GLOBAL REVENUES - $20.5 BILLION

NORTH AMERICAN REVENUES - $13.5 BILLION

The following six pages present information on Allied Universal as provided by the management of the company and news releases.

OVERVIEW OF WORLD LEADERS

Key Performance Indicators

Worldwide Revenues

Over $20 billion (1)

Employees

Approximately 800,000

Speaking 45 languages

Countries

Over 100

Customer Retention Rate

Over 95%

Revenues from Technology Offerings

Approximately 10%

High-Profile Customers

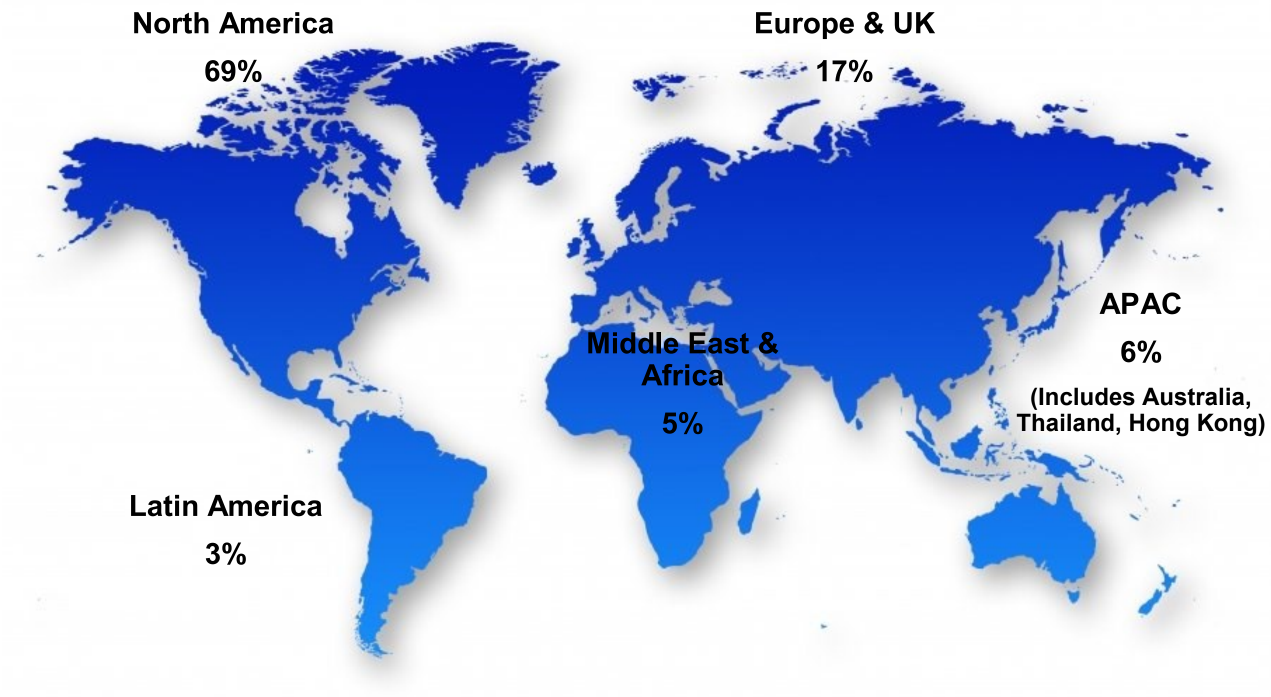
More than 400 of the Fortune 500 Companies

(1) Run rate as of June 30, 2023

Source: Allied Universal management and news releases

Footprint

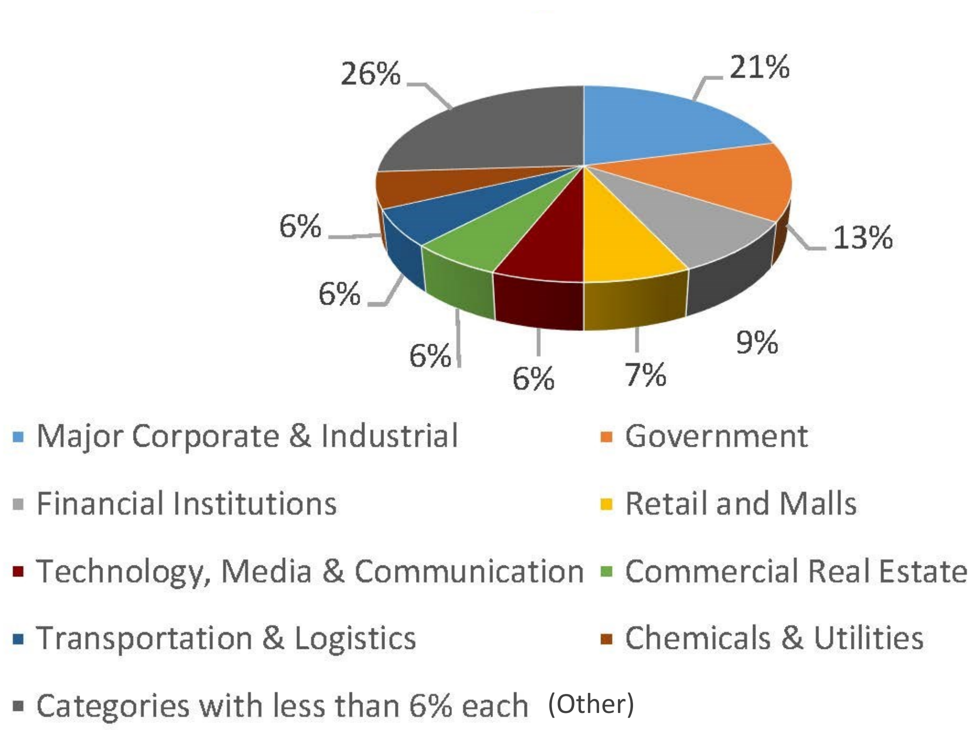
Operating under the Allied Universal brand in North America and G4S in all other areas.



Source: Allied Universal Management

MARKET

Revenue by Customer Types



Expanding Vertical markets:

- K-9 Security (largest in the world with over 3,500 canines deployed every day)
- Risk and consulting services
- Off-duty and retired police officers

Source: Website for Allied Universal and news releases

MARKET

Other Facts About Allied Universal

Ownership:

90% Private Equity Partners

WARBURG PINCUS | Partners Group

J. SAFRA SARASIN | CDPQ

10% Allied Universal Management and approx. 3,000 Employees

Allied's Acquisitions from January 2022 through August 2023

(Companies with Revenues Exceeding $100 Million Annually)

Acquisitions of Companies with Revenues Exceeding $100 Million Annually:

Date Acquired	Company	Revenues	Service Sector
03/23/2022	T.S.S. (United Kingdom)	$170M	Manned Guarding
04/05/2022	Attenti Group	$125M	Electronic Monitoring

Additionally, Allied acquired 14 smaller companies with combined revenues of approximately $150 million

Source: Allied Universal 's news releases

Other Facts About Allied Universal

Allied Universal, a privately-held company, does not distribute its financials in the public domain. Therefore, we went to news releases to find out what they were reporting about Allied, its present and future. Below are excerpts from select publications:

***S&P Global* — December 21, 2022**

- Allied's profitability will expand as cost pressures begin easing in 2023, driven by improving labor and staffing conditions.
- Non-billable overtime as a percentage of total paid hours increased to 8.5% from 5.5% pre-pandemic.
- Allied's revenues are expected to grow 5% during the 2023 year and 4% during 2024.

***Financial Times* — February 4, 2023**

- The chief executive of Allied Universal (Steve Jones) has put the company's multibillion dollar public listing on hold as the world's largest private security group tackles hiring problems and rides out the turmoil in markets.
- Jones had previously said a US listing of the world's seventh largest employer and North America's third largest in an expected multibillion dollar transaction was possible by May 2024, but "that time line has been paused".
- Stephen Rawlinson, analyst at Applied Value, said Allied Universal's enterprise value, including debt, could be between $15bn and $17bn. "It partly depends on whether Allied Universal can argue that it has market power as the global leader and is therefore worth a premium."
- CEO Jones also said he was "seeing conditions begin to improve in terms of new applicant flow and new hires".

***MergerMarket* — June 06, 2023**

- "Allied Universal . . . has a decreased appetite for acquisitions in the current environment but continues to actively pursue deals worldwide", said Chairman and CEO Steve Jones.
- "We're more selective and will remain so until the cost of capital becomes less expensive", Jones said. "And, through opportunistic transformational buys, Allied's sweet spot is now companies with up to USD $50m in revenue that fit into its two primary offerings: manned guarding and systems and technology".
- "Allied is looking at a handful of smaller targets right now", Jones said. "Multiples in the space range from 6X to 12X EBITDA, while average EBITDA margins are between 4% and 10%, with tech-focused players on the higher end of both ranges".

Other Facts About Allied Universal

Allied Universal, a privately-held company, does not distribute its financials in the public domain. Therefore, we went to news releases to find out what they are reporting about Allied, its present and future. Below are excerpts from select publications (Continued):

***Orange County Business Journal* — June 12, 2023**

- Allied Universal expects annual revenues in the $25bn range by the year 2026.

***Moody's* — June 15, 2023**

- Allied Universal's EBITDA margins are expected to remain in the 8.5% - 9% area.
- Allied Universal is the largest security services provider in North America and globally it has an estimated 12% market share . . . Within its largest markets Moody's believes this scale brings benefits from both a revenue and a cost perspective and provides a competitive advantage relative to smaller regional companies, particularly for national accounts.
- Historically, about 20% of Allied Universal's pro-forma revenue has been comprised of national accounts, which typically benefit from longer contracts and established relationships, as well as reportedly higher customer retention rates of over 95%.

MARKET

Securitas

(Amounts are Approximates)

GLOBAL REVENUES (2022) - $13 BILLION

NORTH AMERICAN REVENUES (2022) - $6 BILLION

The following eight pages are excerpts from Securitas' annual and interim financial reports.

Securitas

OVERVIEW OF WORLD LEADERS

Key Performance Indicators

Revenues in U.S. Dollars $13 billion

GLOBAL LEADING POSITIONS IN THE GROWING SECURITY MARKET
Securitas is the second largest provider of security services globally, with operations in 45 markets and capabilities spanning from guarding to tech-enabled security. Europe and North America are the largest regions, where technological innovation and developments are expected to drive further growth.

Securitas' purpose is: "We help make your world a safer place." Our purpose reminds all employees that they are contributing to something of great importance and that the purpose is the reason the company exists. The purpose is at the very core of Securitas' strategy and helps create value.

Our 358 000 employees are led by our three core values – integrity, vigilance and helpfulness. These values represent who we are and how we do things. The three dots symbolize these values and signify that we look out for each other and the people around us.

We see a different world

133 237
Total sales, MSEK (107 700)

7%
Organic sales growth (4)

28%
Technology and solutions, share of total sales (22)

6.0%
Operating margin (5.6)

3.45
Proposed dividend, SEK (3.66*)

358 000
Employees (345 000)

45
Number of markets with operations (47)

89%
Client retention rate (89)

24%
Share of female managers at all levels (24)

All comparatives are excluding STANLEY Security.
*Adjusted for the rights issue in 2022.

A security solutions partner with world-leading technology and expertise

Source: Securitas Annual and Sustainability Report 2022

OVERVIEW OF WORLD LEADERS

Securitas' Service Offerings

Securitas is a global provider of security services, with an offering ranging from on-site, mobile and remote guarding to technology, fire and safety services and corporate risk management. To meet client-specific needs in the market, we offer security solutions that comprise various combinations of these six protective services, with technology representing a key part of the offering.

By bringing together Securitas and STANLEY Security we will have further potential to provide tech-enabled security solutions that create long-term value for our clients. Security solutions bring several benefits to our clients and are further enabled by increased technology capabilities, through standardized and comprehensive contracts, increased access to data-generated insights and improved proactiveness.

SECURITAS OPERATIONS CENTERS
Our SOCs connect people and technology across the world. The security services are managed and coordinated through Securitas Operations Centers (SOCs), where operators can quickly address our clients' security needs. The information gathered by our SOCs provides our clients with high-quality security around the clock, along with analytics, analysis and client reports.

Source: Securitas Annual and Sustainability Report 2022

MARKET

Key Performance Indicators

Security Services North America

Markets:
Canada, Mexico and the US

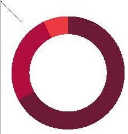
Total sales MSEK 61 173 (46 747)

Organic sales growth 1% (3)

Operating income before amortization MSEK 4 611 (3 191)

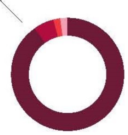
Operating margin 7.5% (6.8)

121 000 employees



Share of sales per service

- Guarding 67% (76)
- Technology and solutions 26% (18)
- Other 7% (6)



Share of sales per country

- The US 90%
- Canada 6%
- Mexico 2%
- Rest of countries in the segment 2%

Security Services Europe

Markets:
Austria, Belgium, Croatia, the Czech Republic, Denmark, Finland, France, Germany, Hungary, Ireland, Luxembourg, the Netherlands, Norway, Poland, Romania, Serbia, Slovakia, Sweden, Switzerland, Turkey and the United Kingdom

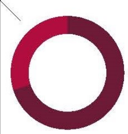
Total sales MSEK 54 409 (46 138)

Organic sales growth 9% (5)

Operating income before amortization MSEK 3 201 (2 696)

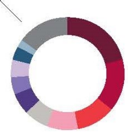
Operating margin 5.9 % (5.8)

123 000 employees



Share of sales per service

- Guarding 70% (75)
- Technology and solutions 30% (25)
- Other 0% (0)



Share of sales per country

- Germany 21%
- France 15%
- Sweden 11%
- Belgium 9%
- The Netherlands 7%
- The United Kingdom 6%
- Norway 5%
- Switzerland 5%
- Finland 4%
- Türkiye 4 %
- Rest of countries in the segment 13%

Security Services Ibero-America

Markets:
Argentina, Chile, Colombia, Costa Rica, Ecuador, Peru, Portugal, Spain and Uruguay

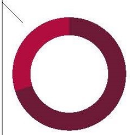
Total sales MSEK 14 604 (12 286)

Organic sales growth 16% (6)

Operating income before amortization MSEK 881 (702)

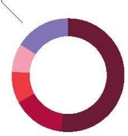
Operating margin 6.0% (5.7)

59 000 employees



Share of sales per service

- Guarding 70% (70)
- Technology and solutions 30% (30)
- Other 0% (0)



Share of sales per country

- Spain 52%
- Argentina 15%
- Portugal 9%
- Chile 8%
- Rest of countries in the segment 16%

AMEA — Africa, Middle East, Asia and Australia

Markets:
Australia, China, Hong Kong, India, Indonesia, Saudi Arabia, Singapore, South Africa, South Korea, Thailand, the United Arab Emirates and Vietnam

55 000 employees

All comparatives are excluding STANLEY Security.

Excerpt and Important Notes in Securitas' January - June 2023 Interim Report Relative to the Stanley Security Acquisition:

The acquisition of STANLEY Security has a significant impact on Securitas' reporting that should be considered when reading this report.

STANLEY Security was consolidated as of July 22, 2022, and is consequently included in the first half year 2023 income statement. There are no income items relating to STANLEY Security in the first half year comparatives except for transaction costs incurred by the Group prior to the date of acquisition. In the January –December 2022 income statement STANLEY Security is included from the date of consolidation. STANLEY Security is, according to Securitas' definition of organic sales growth, excluded from the calculation of this key ratio during the first 12 months from July 22, 2022. When organic sales growth for STANLEY Security is referred to, this is an estimate of how the acquired business is growing organically but this contribution is excluded from Securitas' organic sales growth. Real sales growth includes the contribution from STANLEY Security as acquired sales are included in the determination of this key ratio.

In our segment reporting STANLEY Security is included in Securitas North America and Securitas Europe.

Source: Securitas Annual and Sustainability Report 2022

OVERVIEW OF WORLD LEADERS

Revenue by Service Offering

North America and Around the World

Full Years 2018 - 2022

SECURITAS NORTH AMERICA

MSEK	2018	2019	2020	2021	2022
	$4.8	$5.1	$5.2	$5.4	$6.0
Guarding	33 541	36 892	36 798	35 475	41 294
Security Solutions	7 365	8 885	8 365	8 279	15 634
Other	1 460	2 722	2 638	2 993	4 245
Total Sales	42 366	48 499	47 801	46 747	61 173
Other Operations	0	0	0	0	0
Total Revenue	42 366	48 499	47 801	46 747	61 173
Security Solutions and Electronic Security as a % of Total Revenue	17.4%	18.3%	17.5%	17.7%	25.6%

SECURITAS GROUP AROUND THE WORLD

MSEK	2018	2019	2020	2021	2022
	$10.9	$11.6	$11.9	$12.5	$13.0
Guarding	79 567	84 887	81 838	80 602	92 009
Security Solutions	20 440	23 290	23 478	24 105	36 983
Other	1 460	2 722	2 638	2 993	4 245
Total Sales	101 467	110 899	107 954	107 700	133 237
Other Operations	29	34	39	43	52
Total Revenue	101 496	110 993	107 993	107 743	133 289
Security Solutions and Electronic Security as a % of Total Revenue	20.1%	21.0%	21.7%	22.4%	27.7%

MSEK - Million Swedish Krona (local currency of Securitas)

Billion U.S. Dollars - MSEK converted to U.S. Dollars using weighted average exchange rates for the years:

2022 - 10.24 SEK = $1
2021 - 8.61 SEK = $1
2020 - 9.16 SEK = $1
2019 - 9.47 SEK = $1
2018 - 8.75 SEK = $1

See Page 11 for “Important Note to Reader”

Source: Securitas Annual and Sustainability Reports for the years shown

Financial Summary - Around the World

Full Years 2018 to 2022

MSEK	2018	2019	2020	2021	2022
	$10.9	$11.6	$11.9	$12.5	$13.0
INCOME					
*** Total sales**	**101 467**	**110 899**	**107 854**	**107 700**	**133 237**
of which acquired business	1 760	1 339	1 312	1 162	8 993
** Acquired sales growth, %*	*2*	*1*	*1*	*1*	*8*
** Organic sales growth, %*	*6*	*4*	*0*	*4*	*7*
** Real sales growth, %*	8	6	1	5	14
Operating income before amortization	**5 304**	**5 738**	**4 892**	**5 978**	**8 033**
* Operating margin, %	5.2	5.2	4.5	5.6	6.1
Amortization and impairment of acquisition-related intangible assets	-260	-271	-286	-290	-414
Acquisition-related costs	-120	-62	-137	-122	-49
Items affecting comparability	-455	-209	-640	-871	-1086
Financial income and expenses	-441	-578	-500	-364	-758
***Income before taxes**	**4 028**	**4 618**	**3 329**	**4 331**	**5 276**
Taxes	-1 007	-1 256	-913	-1 197	1 410
Net income for the year	**3 021**	**3 362**	**2 416**	**3 134**	**4 316**

Full Year - 2022 vs. (2021)

- Organic Sales were 7% (4%)
- Real sales growth, including acquisitions and adjusted for changes in exchange rates, was 14% (5%)
- Sales of security solutions and electronic security sales were 28% (22%) of total sales for the full year. Real sales growth for security solutions and electronic security, including acquisitions and adjusted for changes in exchange rates, was 44% (8%)
- Operating income before amortization was MSEK 8 033 (5 978), which when adjusted for changes in exchange rates, represented a real change of 22% (28%).
- The acquired STANLEY Security business increased the technology sales volume and was the main contributor to real sales growth. Excluding STANLEY Security, real sales growth was 12 percent (8).
- The Group's operating margin was 6% (5.6%), an improvement seen in all business segments including a lower level of provisioning compared to last year. All business units supported the development in Security Services North America, and supported by the acquired Stanley Security business.

○ — MSEK converted to U.S. billion $

See page 11 for foreign monetary conversion rates.

See Page 12 for "Important Note to Reader"

Source: Securitas Annual and Sustainability Reports for the years shown

OVERVIEW OF WORLD LEADERS

Financial Summary - North America

Full Years 2018 - 2022

Security Services North America provides protective services in the U.S., Canada, and Mexico. The operations in the U.S. are organized in four specialized units - Guarding, Electronic Security, Pinkerton Corporate Risk Management, and Critical Infrastructure Services. Guarding includes on-site, mobile and remote guarding and the unit for global and national accounts, as well as Canada and Mexico. There are also specialized client segment units, such as aviation, healthcare, manufacturing and oil and gas.

	$4.8	$5.1	$5.2	$5.4	$6.0
MSEK	2018	2019	2020	2021	2022
INCOME					
*** Total sales**	**42 366**	**48 499**	**47 801**	**46 747**	**61 173**
** Organic sales growth, %*	*6*	*4*	*2*	*3*	*1*
** Share of Group sales, %*	*42*	*44*	*44*	*43*	*46*
Operating income before amortization	**2 589**	**3 003**	**2 800**	**3 191**	**4 611**
* Operating margin, %	6.1	6.2	5.9	6.8	7.5
* Share of Group operating income, %	49	52	57	53	57

Full Year - 2022 vs. (2021)

Organic sales growth was 1 percent (3). The decline was primarily related to the terminated security contract within the healthcare client segment and the termination of the airport security contract in Hawaii, as previously communicated. The lower level of corona-related extra sales also had a negative impact compared to last year. Organic sales growth in Technology improved, supported by stronger installation sales in the second half of the year, although global supply chain issues and the labor shortage still prevailed. The strong performance in Pinkerton supported organic sales growth. The client retention rate was 85 percent (86).

Technology and solutions sales accounted for MSEK 15 634 (8 279) or 26 percent (18) of total sales in the business segment, with real sales growth of 69 percent (5) for the full year. The acquired STANLEY Security business in North America increased the technology sales volume and was the main contributor to real sales growth.

The operating margin was 7.5 percent (6.8), supported by all business units. The improvement in Technology was driven by the acquired STANLEY Security business, and by leverage from top-line growth in the legacy business. The operating margin in Guarding improved, supported by the finalized business transformation program and the previously mentioned contract terminations at below average operating margins, while the lower level of corona-related extra sales hampered the margin. Pinkerton had a strong performance throughout the year, and Critical Infrastructure Services improved the operating margin supported by active portfolio management.

The Swedish krona exchange rate weakened again the US dollar, which had a positive impact on operation income in Swedish kronor. The real change was 25 percent (19) for the full year.

— MSEK converted to U.S. billion $

See Page 11 for “Important Note to Reader”

Source: Securitas Annual and Sustainability Reports for the years shown

Financial Performance
North America
Six Months June 30, 2023
Compared to
Six Months June 30, 2022

	H1		Change, %		Full Year
MSEK	2023	2022	Total	Real	2022
INCOME					
• Total Sales	**35 435**	**25 906**	**37**	**27**	**61 173**
• Organic sales growth, %	7	–1			1
• Share of Group sales, %	46	44			46
Operating Income before amortization	**2 822**	**1 796**	**57**	**48**	**4 611**
• Operating margin, %	8.0	6.9			7.5
• Share of Group operating income, %	59	56			57

JANUARY—JUNE 2023

Organic sales growth was 7 percent (-1), driven by the business unit Guarding with support from price increases, good portfolio new sales and a significant guarding contract renewed and expanded, as previously communicated. By comparison, the first six months last year were hampered by the termination of two significant security contracts. Organic sales growth was also supported by the Technology business unit from improved installation sales and a continued healthy backlog. The client retention rate was 88 percent (85).

Technology and solutions sales accounted for MSEK 11 083 (4 875) or 31 percent (19) of total sales in the business segment, with real sales growth of 118 percent (6) in the first half year. The acquired STANLEY Security business in North America was the main contributor to real sales growth, although double digit real sales growth within solutions also supported.

The operating margin was 8.0 percent (6.9) driven by the acquired STANLEY Security business within the business unit Technology. The operation margin in Guarding improved supported by active portfolio management and leverage from the strong topline growth, and Pinkerton also improved in the first half year.

The Swedish krona exchange rate weakened against the US dollar, which had a positive impact on operating income in Swedish Kronor. The real change was 48 percent (5) in the first half year.

See page 12 for foreign monetary conversion rates.
See Page 11 for “Important Note to Reader”
Source: Securitas Interim Report Jan-June 2023

MARKET

Acquisition of Stanley Black & Decker's Systems Integration Business And Method of Reporting in Its Financials

Securitas completed its largest acquisition in the history of the company in July 2022 when it bought the systems integration business from Stanley Black & Decker. The purchase price was $3.2 billion for $1.8 billion of revenue (reported to be approximately 16 times trailing profits). Approximately $1 billion of the $1.8 billion represents revenues in the North American market. Magnus Ahlquist, the CEO of Securitas, said this about this historic acquisition ". . . Since the security guard market has a real risk of overall declining this decade, mega-guard companies have to find some other way to build their businesses going forward. Whether or not Securitas paid a premium for this deal it does provide Securitas the potential to migrate away from guarding to integration and technology, a safer bet for the future."

[view the full press release here]

Divestiture of Securitas' Operation in Argentina

On July 25, 2023, Securitas divested its entire operation in Argentina due to weak macroeconomic prospects and the challenging business environment in combination with a limited opportunity to execute its long-term strategy with healthy financial performance. As part of its strategy the corporation continues to assess its business mix and presence to further sharpen its performance and position as the leading security solutions and technology company.

See Page 11 for "Important Note to Reader"

Source: Securitas Interim Report Jan-June 2023

MARKET

PROSEGUR

(Amounts are Approximates)

GLOBAL REVENUES (2022) - $4.4 BILLION

NORTH AMERICAN REVENUES (2022) - $.5 BILLION

The following five pages are excerpts from Prosegur's annual and interim financial reports

Prosegur's Business Lines

Prosegur covers all activities related to the Private Security industry

PROSEGUR CASH

- 2º Largest Global Cash Transfer Operator
- Profitability above the average industry levels
- Leader in emerging markets
- Business with high entry barriers and high recurrence
- Excellent future projection based on new products
  - *Cash automation systems in Retail*
  - *Cryptocurrency Custody*
  - *Bank agency outsourcing*
  - *Comprehensive management of ATMs*

PROSEGUR SECURITY

- # 5 Global company, with a leadership position in selected markets
- Leader in the technology solutions sector
- Expansion on mature markets with a disruptive value proposition.
- Committed to technological innovation with Intellectual Property, based on:
  - *Intelligent Security Operation Centers (iSOC)*
  - *Specialized solutions by sectors*
  - *Extensive use of artificial intelligence, IOT and machine learning*

PROSEGUR ALARMS

- Subscription-based business model with a very high cash generation
- Market leader in residential security in all the countries where it operates
- Low customer churn rates
- High double-digit growth, taking advantage of low market penetration and high demand
- Exponential accelerated growth through alliances with telco operators and banks

MOVISTAR PROSEGUR ALARMAS

AVOS TECH
a Prosegur company

- Outsourcing of High Added Value Financial Services (Front Office and Back Office)
- Strong growing market, driven by bank consolidation processes and online customer development
- Very attractive margins and double-digit growth
- Based on proprietary technologies and a high level of automation
  - *Compliance with Anti-Money Laundering regulation*
  - *Bank Reconciliation Software*
  - *Software for comprehensive insurance management*

cipher
a Prosegur company

- Powerful Cybersecurity service provider with global deployment
- Extended Managed Detection and Response services
- Cybersecurity Intelligence
- Managed Security services
- Proprietary own Products
  - *XMDR*
  - *CipherBOX*
  - *CipherMSS*
  - *Virtual Cyberanalyst WALDO*
- Differentiated offering, strongly supported by Prosegur customer base

KEY PERFORMANCE INDICATORS

COUNTRIES	EMPLOYEES
31	+150,000

2022 SALES	2022 EBITDA
4,174 M€	468 M€

In U.S. dollars:

$4.4 bn Worldwide

$ .5 bn U.S. (approximately)

See Page 11 for "Important Note to Reader"

Source: 2022 Investor Presentation

Prosegur's Footprint and Revenue Growth Around the World

Footprint and Financial Performance

in million Euros		2022	2021	(Increase)
Europe		1,564 €	1,423 €	9.9%
Latin America		2,121 €	1,707 €	24.3%
Rest of the World		489 €	367 €	33.2%
Total	**$4.4 bn**	**4,174 €**	**3,498 €**	**19.3%**

Europe	Latin America	Rest of the World
Germany	Argentina, Brazil	Australia, China
Spain	Chile, Colombia	United States,
United Kingdom	Costa Rica, Ecuador	Philippines, India
Portugal, Austria	El Salvador, Guatemala	Indonesia, Singapore
Denmark, Finland	Honduras, Mexico	South Africa
France, Sweden	Nicaragua, Paraguay	
	Peru, Uruguay	

Sales Increase Analyzed:

Organic Growth	22.5%
Inorganic Growth	2.5%
Negative Exchange Rate	(5.7%)
Total Sales Increase	19.3%

- € Converted to U.S. billion $

NOTE: A significant portion of the "Rest of the World" revenues is represented by the U.S. market (estimated to be approximately $500 million)

See page 12 for foreign monetary conversion rates.

See Page 11 for "Important Note to Reader"

Source: Prosegur's 2022 Consolidated Directors' Report

MARKET

Financial Results - 2022 Compared to 2021

Around the World

(Millions of Euros)		2021	2022	Variation
Sales		**3,498.1**	**4,174.2**	**19.3 %**
EBITDA		**385.9**	**468.1**	**21.3 %**
	Margin	*11 %*	*11.2 %*	
Depreciation and amortisation*		(163.2)	(177.2)	
Adjusted EBITA		**222.7**	**290.9**	**30.7 %**
	Margin	*6.4 %*	*7.0 %*	
PPE depreciation (excluding computer software)		(30.6)	(35.7)	
Goodwill impairment		(18.1)	(1.7)	
EBIT		**174.0**	**253.5**	**45.7 %**
	Margin	*5.0 %*	*6.1 %*	
Financial profit/(loss)		(35.0)	(62.6)	
Profit/(loss) before tax		**139.0**	**190.9**	**37.4 %**
	Margin	*4.0 %*	*5 %*	
Taxes		(95.3)	(106.9)	
	Tax rate	*(68.5) %*	*(56.0) %*	
Net result		**43.7**	**84.1**	**92.3 %**
Non-controlling interests		**2.7**	**19.4**	
Consolidated net profit/(loss)		**41.0**	**64.7**	**57.8 %**
Basic profit per share		0.1	0.1	

*Includes amortisation of property, plant and equipment, rights of use, real estate investments and amortisation and impairment of computer software.

See page 12 for foreign monetary conversion rates.
See Page 11 for "Important Note to Reader"
Source: Prosegur's 2022 Consolidated Directors' Report

Sales Performance by Business Line—Year 2022

(in Million Euros)

SALES	CASH	SECURITY	ALARMS	AVOS	CIPHER
EUR	1,872.2	2,017.0	182.0	86.0	17.0
US$	1,965.8	2,117.9	191.1	90.3	17.9

EBITDA					
EUR	259.6	51.1	3.8	7.9	3.0
US$	272.6	53.7	4.0	8.3	3.2

EUR = European Euros

EBITDA = Earnings before interest, taxes, depreciation and amortization

US$ = Used the average exchange rate for 2022 -1.05 USD to 1 Euro

Red Figures = Loss

○ - € converted to U.S. billion $

See page 12 for foreign monetary conversion rates.

See Page 11 for “Important Note to Reader”

Source: Prosegur’s 2022 Consolidated Directors’ Report

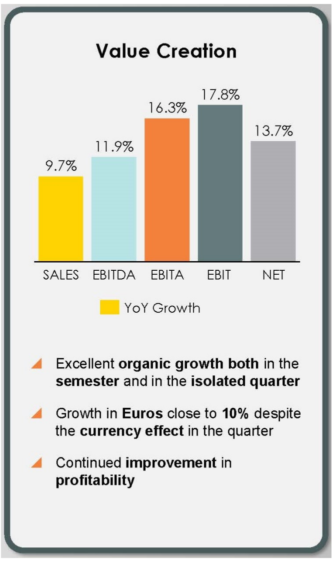
Financial Results

6 Months 2023 and 6 Months 2022

Around the World

Consolidated Results

Amounts in €M		6M 2022	6M 2023	% Variation
Sales		2,002	2,196	9.7%
Organic Growth		+18.0%	+26.8%	↑
Inorganic Growth		+2.0%	+2.1%	↑
FX		+2.3%	-19.2%	↓
EBITDA		218(1)	244	11.9%
	Margin	10.9%	11.1%	
Depreciation		(87)	(92)	
EBITA		130	152	16.3%
	Margin	6.5%	6.9%	
Amortization of intangibles and impairments		(17)	(18)	
EBIT		113	133	17.8%
	Margin	5.7%	6.1%	
Financial result		(23)	(40)	
Profit before Tax		90	94	3.9%
	Margin	4.5%	4.3%	
Tax		(50)	(51)	
	Tax rate	55.7%	53.9%	
Net Profit		40	43	8.1%
Minority interest		9	8	
CONSOLIDATED NET PROFIT		31	35	13.7%



See Page 11 for "Important Note to Reader"

Source: Prosegur's 2022 Consolidated Directors' Report

MARKET

GARDAWORLD

(Amounts are Approximates)

GLOBAL REVENUES (Y/E 1/31/23) - CN$5.3 BILLION

NORTH AMERICAN REVENUES (Y/E 1/31/23) - CN$4.1 BILLION

The following six pages are excerpts from GardaWorld's annual and interim financial reports

Key Performance Indicators
(June 2023 "Run Rate")

Security Services
Global Reach, Local Expertise

$3.8B+
Revenue

35%
U.S. Organic Growth

3%
U.S. Market Share Only

#1
in Canada

#3
in the U.S.

Crisis24
The World Leader in Integrated Risk Management

$450M+
Revenue

36%
Organic Growth

180+
Risk Intelligence Analysts

Next-Gen SaaS Platform

Most integrated capabilities in the industry

Sesami
Unrivaled, Global One-Stop Integrator of the Whole Cash Ecosystem

$1.9B+
Revenue

8%
Organic Growth

350k
Intelligent Devices Deployed

70+
Countries

ECAMSECURE
Uncompromising Remote and Virtual Surveillance

$110M+
Revenue

46%
Organic Growth

6.6x
LTV/CAC

85%+
Subscription-based model

Monetary amounts are in CN$

See page 11 for "Important Note to Reader"

Source: GardaWorld year-end reports - January 31, 2022 and website

MARKET

Lines of Service and Area Revenue
Fiscal Years January 31, 2023 Compared to January 31, 2022

REVENUES - FISCAL YEARS (January 31)

	2022	2023	Change
	in million CN$		
Protective Services			
North America	$2,054	$2,589	26.0%
International	1,059	1112	5.0%
Total Protective Services	**3,113**	**3,701**	**18.9%**
Cash Services			
North America	$960	$1,447	50.7%
International	0	118	118.0%
Total Cash Services	**960**	**1,565**	**63.0%**
Total Revenue	**$4,073**	**$5,266**	**29.3%**

See page 12 for foreign monetary conversion rates.

See page 11 for "Important Note to Reader"

Source: GardaWorld year-end reports - January 31, 2023

Revenues by Area
Fiscal Years January 31, 2023 Compared to January 31, 2022

REVENUES - FISCAL YEARS (January 31)

	2022	2023
in million CN$		
Canada	$ 1,392,705	$ 1,543,924
U.S.A.	2,124,501	3,079,751
Middle East & Asia	282,335	196,805
East Africa	202,794	246,304
Others	71,081	199,444
	$ 4,073,416	$5,266,228
	US$3.3 bn	US$4.1 bn

NOTE: The impact of foreign exchange increased revenues by CN$195.3 million.

See page 12 for foreign monetary conversion rates.
See page 11 for “Important Note to Reader”
Source: GardaWorld year-end reports - January 31, 2023

MARKET

Financial Performance Explained
Fiscal Year Ended January 31, 2023

(amounts in CN$, except where noted)

All Services

Revenues for the fiscal year ended January 31, 2023 were $5,266.2 million, compared with $4,073.4 million last year, an increase of $1,192.8 million or 29.3%. Revenues from organic growth increased by $355.8 million or 8.7% and revenues from business acquisitions increased by $641.7 million or 15.8% explained mainly by the GDBA-ES, Trident and Patriot acquisition which operates in security services and Tidel, Gunnebo and Arca acquisitions which operates in cash services. The impact of foreign exchange has increased the revenues by $195.3 million.

Security Services' revenues increased by 18.9% and Cash Services' revenues increased by 63.0%.

Protective Services

Revenues for the fiscal year ended January 31, 2023, were $3,701.1 million, compared with $3,113.0 million last year, an increase of $588.1 million or 18.9%. Revenues from business acquisitions increased by $185.0 million or 5.9% and existing business increased by $256.1 million or 8.2%. The US dollar has increased the revenues by $147.0 million.

Revenues from North America platform for the fiscal year ended January 31, 2023, were $2,589.4 million, compared with $2,053.8 million last year, an increase of $535.6 million or 26.1%. Revenues from existing business increased by $354.5 million or 17.3%, revenues from business acquisitions increased by $57.5 million or 2.8%. The US dollar has increased the revenues by $123.6 million.

Revenues from International platform for the fiscal year ended January 31, 2023 were $1,111.7 million compared with $1,059.2 million last year, an increase of $52.5 million or 5.0%. Revenues from business acquisitions increased by $127.5 million or 12.0% and revenues from existing business decreased by $98.4 million or 9.3%. The US dollar has increased the revenues by $23.4 million.

Cash Services

Revenues for the fiscal year ended January 31, 2023 were $1,565.1 million, compared with $960.4 million last year, an increase of $604.7 million or 63.0%. Revenues from existing business increased by $99.7 million or 10.4%, revenues from business acquisitions increased by $456.7 million or 47.6% and the US dollar has increased revenues by $48.3 million.

Cash Services' revenues in Canada for the fiscal year ended January 31, 2023 were $299.5 million compared with $234.5 million last year, an increase of $65.0 million or 27.7%. Cash Services' revenues in the United States was $1,147.7 million compared with $725.9 million last year, an increase of $421.8 million or 58.1%. Cash Services' revenues from outside of North America were $117.9 million compared with nil las year..

See page 11 for "Important Note to Reader"
Source: GardaWorld year-end reports - January 31, 2023

MARKET

Around the Globe
Lines of Service and Area Revenue
For the Three Months Periods Ended April 30, 2023 and April 30, 2022

(amounts in CN$, except where noted)

Revenues by Lines of Service

	THREE MONTHS ENDED		
	April 30, 2023	April 30, 2022	Change
Revenues by Lines of Service			
Protective Services	$970,873	$833,013	16.5%
Cash Services	433,261	347,412	24.7%
Total	**1,404,134**	**1,180,425**	**19.0%**

Revenues by Lines of Service

	THREE MONTHS ENDED		
	April 30, 2023	April 30, 2022	Change
Revenues by Area			
Canada	$399,383	$361,852	10.4%
USA	806,227	673,845	19.6%
Middle East & Africa	67,394	42,758	57.6%
East Africa	66,695	55,569	20.0%
Other	64,435	46,401	38.9%
Total	**1,404,134**	**1,180,425**	**19.0%**

See page 11 for “Important Note to Reader”
Source: GardaWorld year-end reports - January 31, 2023

MARKET

Around the Globe

Financial Performance Explained for the Three Months Period Ended April 30, 2023

(amounts in CN$, except where noted)

All Services

Revenues for the first quarter of fiscal 2024 were $1,404.1 million, compared with $1,180.4 million last year, an increase of $223.7 million or 19%. Revenues from organic growth increased by $62.8 million or 5.3% and revenues from business acquisitions increased by $93.4 million or 7.9% explained mainly by the Patriot acquisition which operates in security services and Gunnebo and Arca acquisitions which operate in cash services. The impact of foreign exchange has increased the revenues by $67.5 million.

Protective Services

Revenues from the first quarter were $970.9 million, compared with $833.0 million last year, an increase of $137.9 million or 16.6%. Revenues from business acquisitions increased by $25.4 million or 3.1% and existing business increased by $62.1 million or 7.5%. The US dollar has increased the revenues by $50.4 million.

Revenues from North America Guarding and Aviation platform for the first quarter were $683.7 million, compared with $588.3 million last year, an increase of $95.4 million or 16.2%. Revenues from existing business increased by $61.0 million or 10.4% and revenues from business acquisitions increased by $0.6 million or 0.1%. The US dollar has increased its revenues by $33.8 million.

Cash Services

Revenues for the first quarter were $433.2 million, compared with $347.4 million last year, an increase of $85.8 million or 24.7%. Revenues from existing business increased by $0.7 million or 0.2%, revenues from business acquisitions increased by $68.0 million or 19.6% and the U.S. dollar has increased revenues by $17.1 million.

Cash Services' revenues in Canada for the first quarter were $78.3 million compared with $63.6 million last year, an increase of $14.7 million or 23.1%. *Cash Services'* revenue in the United States were $321.3 million for the first quarter, compared with $263.5 million last year, an increase of $57.8 million or 21.9%, *Cash Services'* revenues from outside of North America were $33.7 million for the first quarter compared with $20.3 million last year, an increase of $13.4 million or 66.0%.

See page 11 for "Important Note to Reader"
Source: GardaWorld first quarter reports - April 30, 2023

MARKET

As in previous years, we surveyed many owners of security companies included in the portion of the market – about $10 billion in revenues - not controlled by the World Leaders. The revenues of the companies we interviewed ranged from $10 million to over $300 million annually. What's interesting about our survey is that the owners, although reporting increases in revenue as detailed below, are not at the same stage of their improvements. Some are just starting the improvements while others began about a year ago and are now reaping the benefits. For this reason, we're calling the reporting period of this White Paper "A Period of Transition". We received a wide range of comments depending on the quality of the company and vertical markets served. The responses below are summaries of what we received from most of the owners:

Growth in revenue: Primarily, the companies with revenues less than $30 million were seeing very little growth in their revenues; in fact, many were experiencing revenue shrinkage. The owners of companies with revenues in excess of $30 million reported at least 10% growth in revenue, with some owners of the larger companies reporting growth in excess of 20%.

Source of growth: The owners of smaller companies that had revenue increases reported revenue growth of about 10% which was mostly from increased billing rates to offset, or partially offset, the increase in wages. The larger companies reported growth in the 20 – 30% range, coming primarily from an increase in billing rates but a significant amount from existing customers requiring more security, in-house security converting to contract, and winning accounts away from their larger competitors.

Potential growth: The owners of the smaller companies were less optimistic about their future growth than their larger competitors. Some of the smaller companies were still turning down business because of the continuing shortage of labor. The owners of the larger companies were very bullish about the future. They were entering new vertical markets and, as stated above, were expecting even more growth coming from their larger competitors.

Technology offerings: Owners of the smaller companies are ignoring the need for a technology offering for now since their account base is not demanding it. The larger companies, however, are beefing up their technology offerings either through buying/ building command centers or through entering a strong partnership arrangement with an existing monitoring or systems integration company.

Recruiting and Margins: Last year, we reported that many companies, small and large, were offering signing, or "stay" bonuses. Based on this latest survey, most companies have stopped this in favor of a larger hiring pay rate, along with stronger efforts to pass the increase on to the customers. And they are being more disciplined on the billing rate increase by turning down business where the higher recruiting wages erode the margins. All the owners reported an increase in qualified applicant flow, although only at a trickle pace for now.

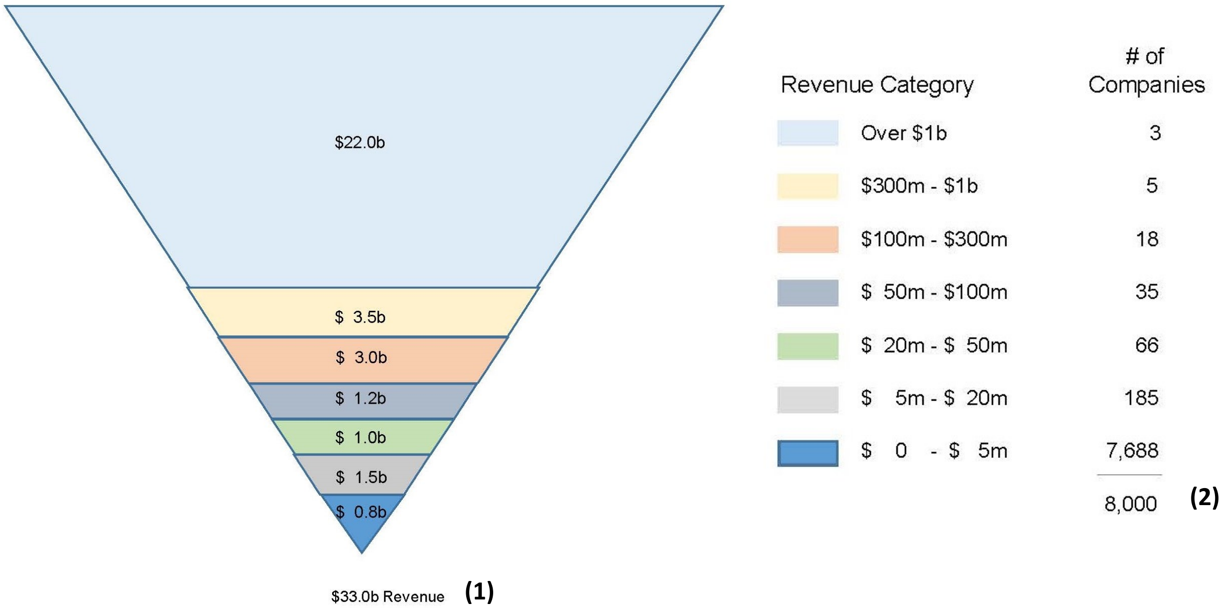
MARKET

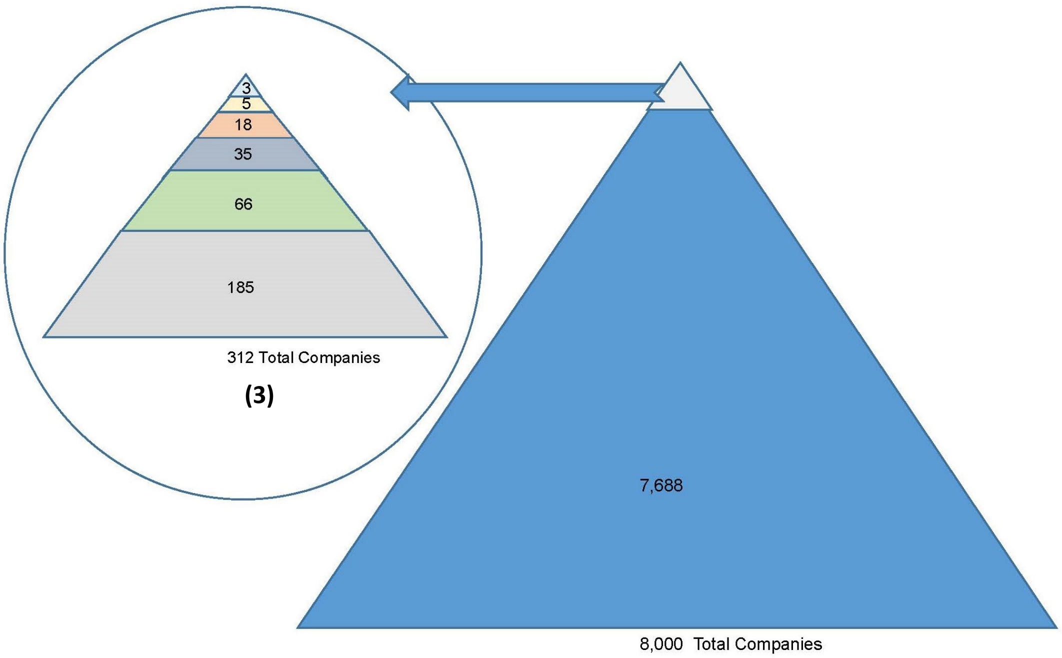
Operating expenses: All the owners reported an expected increase in insurance costs. Most of the owners reported an increase, or expected increase, in workers' compensation and general liability rates – some owners even reported trouble in finding a carrier that would underwrite their high liability service offerings. All are experiencing a large increase in providing vehicles, the largest effect on the companies with a large vehicle patrol offering. While some owners are already experiencing an increase in state unemployment taxes, others are saying they are expecting the increase when the state unemployment funds get reset. None of the smaller company owners mentioned a concern about the increase in the Federal interest rate. However, all the owners of the larger companies are concerned about this since it affects the cost of working capital necessary for their growth, as well as for capital expenditures. Owners also reported expected increases coming from: the Affordable Care Act, employees' medical insurance and raising the bar for managers exempt from overtime premium pay.

Outlook: As previously mentioned, the owners of the larger companies were very optimistic about the future; commenting that the need for security will definitely increase as our country continues to experience a large uptick in mall and school shootings and the municipalities continue to outsource the police function. The owners expect the labor shortage to improve, thus providing better margins going forward on this new business. But they are still cautious that the margins **may** keep eroding because of the operating increases mentioned above.

Revenues and Numbers of Companies in Charts

Market Size in Dollars





1. Estimated - See page 45 of this report
2. Arithmetical function to come to the 8,000 companies and $33.0 billion revenue
3. Information from annual reports and files of Robert H. Perry & Associates, Inc.

MARKET

The 10-Year Revenue and Growth Trend

The large reporting agencies such as Freedonia, IBIS World, and Hallcrest have reported growth in the contract security industry in the 4 - 5% range for the 10-year period leading up to 2019. The reports point out that the growth is measured in revenue, which means the growth is affected not only by new business, but also by inflation rates and acquisitions of companies previously reporting their revenue under another industry classification.

When the estimated “other services”, such as systems integration, etc., are eliminated from the 2011 - 2021 figures, the growth rate for just the manned guarding revenues comes in at 3.79% and is lowered to 2% when adjusted by the 10-year inflation rate.

At the start of the pandemic shutdown in March and April of 2020, most industries were faced with “potential” revenue and profit declines, which eventually became a dismal reality to sectors such as transportation, sports and entertainment, in-store retail, and hospitality. Some companies, but not many, actually saw an increase in their billings and margins through offering COVID screening services, which lasted only a few months. Now that these sectors have started to need security again, the owners are facing a different challenge, restoring their margins to pre-pandemic levels. Some started early initiating billing rate increases, which increases the size of the market measure by revenue, while others lagged behind, but are making strides now to right-size the billing with the increased cost of labor.

The Size and Growth of the Market Today

Today, the market size and growth rates in terms of billings are increasing more dramatically than in the past 10 years. A significant increase is still coming from increased billing rates to customers to offset, or partially offset, the rapidly rising labor cost. Based on the reports of the public companies and information provided by owners of privately held companies, we estimate that the run rate revenues for the ***North American market is now approximately $36*** **billion** - with approximately **8,000 U.S. companies representing $33 billion** of this amount. The 36 billion represents an increase of over 6% and 10% for North America and the U.S., respectively. We are not including cash-in-transit (armored vehicles) - other than for Garda. We’re also not including “pure play” Federal government security providers. This Federal market is very large, making it difficult to quantify in terms of security spend in various world locations. The figures, if it could be obtained, would be distorted somewhat by the fact that there’s a lot of minority and protégé sub-contracting that creates the possibility of double counting of the revenues in determining the size of this segment of the market.

Additionally, we estimate the size of just the manned guarding services included in the $33 billion U.S. market to be approximately $28.5 billion when the estimated $3.5 billion in electronic and system integration revenues are taken out.

Also, there's an estimated ***$15 billion of potential revenue*** from companies presently providing their security function through in-house security personnel. These companies are starting to explore taking their security functions to the outsourced contract market, especially to the larger security companies that offer stationary security officers in conjunction with integrated guarding and Artificial Intelligence. They now deliver a much more effective security function and better trained officers than that provided by their in-house security department. Also, there's growth coming from private contract security officers stepping in where the public police force is suffering from resignations [See section on Tailwinds at page 68].

Number of Companies Operating in the U.S. Contract Security Market

There are still many sources reporting around 10,000 individual contract security companies in the United States alone, with one report indicating 14,000 companies. We believe these figures came from: 1. reports using NACIS codes, and in some instances, investigative and other small companies not offering traditional contract security services are included in this 561612 NACIS code classification, and 2. duplication in counting . Some reporting agencies are counting branch offices of a national, multi-office contract security company as separate companies.

Our firm has been building a database of U.S. contract security companies for more than 25 years, and has identified approximately 6,000 single companies that employ more than 100 personnel and provide mostly contract security officer services. Our database is reasonably accurate, and when the companies employing less than 100 personnel are added, the total number of companies offering contract security officers is still in the 8,000 range. Although there's been a significant number of small companies sold over the past 10 years, we estimate an equal number of start-ups; 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 25 years, come to learn that this lack of public information is due primarily to the nature of the business and the owner's mindset. It is , after all, the security business that by definition operates under a code of secrecy. There are not associations of contract security companies that accumulate and publish financial statistics on the industry.

Number of Employees

Finding credible information on the number of people working in the outsourced contract security market in the United States remains challenging. The report by the Bureau of Labor Statistics issued in May 2022, supposedly as the pandemic had ended, and the most widely quoted source for the Security Market, indicates a total of 1,124,890 "Security Guards" - up from 1,057,100 from the previous year. However, the report includes some categories of labor that are not normally classified as outsourced manned security personnel, such as in-house guards and certain Federal government security employees not included in the count for the revenue size of the market.

Therefore, we went to published reports for the large companies and our internal files for the smaller companies. As mentioned elsewhere in this white paper report, there's been a dramatic increase in the market size in terms of revenue coming primarily from billing rate increases and companies entering markets not requiring a significant labor component. An insignificant amount of the growth has come from companies that previously did not need security or companies with an in-house security force turning to contracting out their security function.

After taking this into consideration and the fact that there has been at least some increase in the workforce, we're pegging the number of security officers in today's market at 850,000. This estimate is based on a ratio of employees to total revenue as reported by the large companies, along with our estimate of the number of employees for the smaller, non-reporting companies, after adjusting for more part-time employees in this latter category.

Outsourced Security Personnel vs. Public Police Force

The May 2023 Time magazine article on the Security Guard Industry said this about the number of outsourced security personnel, "There are roughly twice as many security guards employed in the U.S. than there were 20 years ago, according to the Security Industry Association, although the nation's population has only grown 16% over the same time period. By 2021, there were about 2 police officers, but 3.1 security guards, for every 1,000 civilians".

However, what's uncertain at this point is the ultimate outcome of the movement from public police protection to looking for the private sector to fill this void. According to a survey out in 2020 by the National Police Foundation, 86% of the departments reported a staffing shortage - even before the wave of bad publicity from the high-profile murders, which has escalated since then. Many in the security industry are saying that the changes in how police officers conduct their duties and the lesser number on the streets will mean more companies and individuals will be looking for the outsourced security market to fill the void. As detailed under the "Tailwinds" of this white paper, this is already moving rapidly across our country.

Armed Security Officers

Based on our in-house records of the hundreds of manned guarding company owners with whom we have consulted over the past several years, it is estimated that, contrary to public opinion, less than 15% of security officers working for contract security companies carry weapons. This is up 5% from last year's white paper report due to the increase in off-duty police officer services being offered by contract security companies and more and more customers wanting/demanding that their guards be armed. The ones that are armed today are more thoroughly vetted upon employment and go through extra training to qualify to carry the weapon. And the customers, for the most party, are willing to pay for it. For example, an off-duty policeman will make about twice as much as their civilian counterpart. The customer is willing to pay more for this higher profile security, sometimes as much as three times the normal billing rate - making this type service much more profitable than traditional contract security service.

Traditional Manned Guarding Companies Sharing the Security Market with Electronic Security Companies

The large, primarily manned guarding companies, such as Securitas and Allied Universal, have shared an insignificant portion of their revenue for a few years now with ADT electronics. However, a couple of years ago, ADT got a lot more aggressive in the systems integration sector of the industry, thus becoming a direct competitor to the two above mentioned manned guarding giants in systems integration. As further detailed under the “Headwinds” section of this white paper, ADT and Johnson Controls are rapidly becoming fierce competitors in the systems market, underscored by ADT spinning off its ADTC (ADT Commercial) company to GTCR, a highly aggressive Chicago based private equity firm teaming with prior ADT executives to grow this business organically and through strategic acquisitions.

MARGINS

MARGINS

For the 10-year period leading up to the Pandemic, all contract security companies reported shrinking margins, resulting primarily from stiff competition and increases in direct costs. Although the labor cost was rising faster than bill rate increases during this period, the hit to margins was not as dramatic as it was during and coming out of the Pandemic.

The "margin" section of our 14th edition White Paper presented a lot of detail on the Federal Government's assistance at the start of the Pandemic in the form of forgivable loans to companies that were faced with "potential" revenue and profit declines - which eventually became a dismal reality to sectors such as transportation, sports, and entertainment, in-store retail, and hospitality. This meant companies within these sectors (i.e., contract security companies), would be faced with having to lay off employees - a move that would just add to the already dismal economic blow caused by the Pandemic.

The Payroll Protection Program (PPP) alone provided over $800 billion in forgivable loans to a wide class of industries. The loans were rolled out quickly with minimal proof of qualification. A detailed report issued by www.federalpay.org indicated that 13,457 Payroll Protection Program loans totaling $1.4 billion went to companies, sole proprietors, and individuals reporting under NAICS code 561612 - "Security Guards and Patrol Services". There were 6 loans for $10 million (the maximum available). There were also many companies that received more than one loan draw, and a significant number of loans went to companies with less than 50 employees.

As detailed in our 14th edition White Paper, the Federal government rolled out unemployment benefits that disincentivized employees from going back to work, resulting in companies - especially the labor intensive ones - suffering runaway non-billable overtime premium pay, as well as the loss of growth opportunities.

As the companies realized around the second half of 2022 that the labor would be a long term challenge, they started a period of transition where they would restore their margins to pre-pandemic levels (and some even improving on the pre-pandemic margins) by instituting bill rate increases to their customers and investing in higher margin technology offerings. Many of the owners surveyed reported very little resistance to billing rate increases and some went so far as to report that they were terminating accounts that would not or could not give an increase. What was different about the reporting companies was how far along they were in getting increases – some reported increases coming from as high as 75% of their customer base, while others reported that they were barely getting started. The current margin percentage for the charts on page 52 cannot be estimated since the stages of improvement from one company to another are highly variable. However, when the transition is complete in two years or longer, the companies will come out with much better margins than they had pre-pandemic. Below is what our survey of owners revealed about their margins:

- As stated above, the margins are improving, although slowly.
- All reported continuing challenges in recruiting qualified labor.
- All reported anticipated increases in other direct cost such as workers' compensation, state unemployment taxes, vehicle expense and uniforms.

(Continued on Next Page)

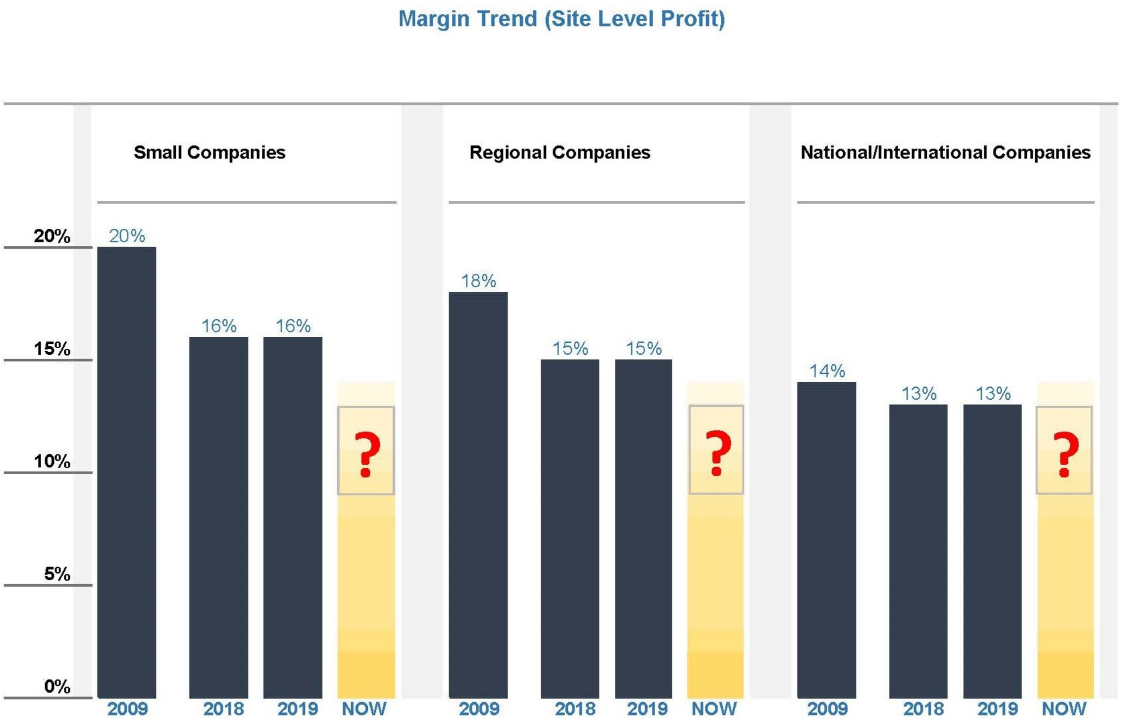
MARGINS

- Most reported a concern over the increase in the Federal interest rate (presently at over 5%, the highest in 23 years), which affects their cost of working capital to manage the anticipated increase in the aforementioned direct costs as well as stymies their ability to grow. However, the respondents were very optimistic about the probability that the bill rate increases and additional high margin services would more than offset these additional costs.

It's important to note that the owners of the smaller companies reported a less optimistic outlook for the future. Many were losing customers to their larger competitors who are offering an expanded menu of services. Also, the smaller companies were less engaged in obtaining bill rate increases for concern over losing the customer whose rate, although much lower than needed for restoring the margin, still contributes to the cost of the overhead in running the company.

MARGINS

Site Level Margin



NOTE: The international world leaders with significant revenues coming from the "emerging markets" historical report gross site level margins in the 18% - 20% range, underscoring the continuing competitiveness of the U.S. manned guarding markets.

See additional information on margin shrinkage and improvements during a "period of transition" on the next page.

MARGINS

EBITDA Trend

All the companies today remain in a state of transition. They continue to ask for bill rate increases to offset or partially offset the rising labor cost. The regional and national/international companies are more successful in getting these increases than their smaller competitors, but the companies surveyed were in different stages of their transition. Some were just getting started while others were 50% - 75% successful in getting the increases and were continuing to push the customers for a higher rate. Note that the above charts show the margin (previous page) and EBITDA shrinkage for the 10 years leading up to the start of the pandemic, then there's a big question mark on where the overall margins and EBITDA are today due to the continuous movement of the billing rate increases. We anticipate this "period of transition" will last for a couple more years, at least.

MARGINS

Defining Terms on the Previous Charts

SITE LEVEL MARGIN

Direct cost as a percentage of revenue. Direct costs are all costs assigned to the site, such as: compensation for the billable officers, wages for the dedicated non-billable supervisors, 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 (not assigned to an account) if there are a lot of "cold start" sites, etc.

EBITDA

Earnings Before Interest Taxes Depreciation and Amortization.

SMALL COMPANIES

Revenues less than $10 million; the owner manages the business and has customer relationships. 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. Adding to the margin erosion for the small company have been the pricing pressures from the customers.

REGIONAL COMPANIES

Revenues $10 - $100 million; owner less involved in customer relationships, operates multi-offices – usually volume is $5 - $10 million per office. These companies, along with the national/international companies, are in a state of transition. Most are getting billing increases to offset pay rate increases - and, in a lot of cases, a margin pickup. However, since the bill rate increases are coming in over a period of time, the positive effects are not yet fully showing up in the trailing twelve-month financials.

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. 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

MERGERS

Reporting Period: Year 2022 up to August 24, 2023

(the date of publishing this White Paper report)

We tracked many transactions between small sellers and large regional company acquirers during the reporting period, however most were not announced through a press release.

The transactions during the Reporting Period ***significant*** to understanding the direction of the industry are detailed below, along with the list of the most active companies buying their smaller competitors. Details of most of these transactions can be viewed from our website under World Transactions.

During the year 2022 Allied Universal, with North American revenues of approximately $13.5 billion, made 12 acquisitions. For the first 6 months of 2023, it made 4 acquisitions . Two of the acquisitions had revenues over $100 million each: T.S.S. - a $170 million manned guarding company operating in the United Kingdom; and Attenti Group, a $125 million electronic monitoring company. The remaining 14 companies had combined revenues of approximately $170 million.

Securitas, , with 2022 North American revenues of approximately $6 billion, continues to purchase primarily systems integration companies in strategic worldwide markets toward its goal of having systems and integration offerings equal to 30% of its total sales, which it reached with the Stanley Black & Decker acquisition described below. During the reporting period, Securitas purchased approximately ten companies with revenues less than $100 million each – with only one in the North American market. Securitas completed its largest acquisition in the history of the company in July 2022, when it bought the systems integration business from Stanley Black & Decker. The purchase price was $3.2 billion for $1.8 billion of revenue (reported to be approximately 16 times trailing profits).

MERGERS

Reporting Period: *Year 2022 up to August 24, 2023*
(the date of publishing this White Paper report)

Securitas

(Continued)

Approximately $1 billion of the $1.8 billion represents revenues in the North American market. Magnus Ahlquist, the CEO of Securitas, said this about this historic acquisition" . . . Since the security guard market has a real risk of overall declining this decade, mega-guard companies have to find some other way to build their businesses going forward. Whether or not Securitas paid a premium for this deal, it does provide Securitas the potential to migrate away from guarding to integration and technology, a safer bet for the future." [view the full press release here]

GARDAWORLD

GardaWorld , with North American revenues of approximately $3.5 billion, bought 12 companies during the reporting period: 7 coming from its security services division and 5 companies under its cash management division. The combined sales for these 12 companies were approximately CN$725 million.

Additionally, on February 08, 2022, GardaWorld Security announced the creation of Sesami Cash Management Technologies, an innovative cash ecosystem performance and technology company.

Sesami's acquired Dallas-based Tidel, a North American provider of cash automation solutions; and signed a definitive agreement to buy Sweden-based Gunnebo Group's cash management business, comprising automated cash processing solutions, software and related services, with a leading market position in EMEA, LATAM and APAC for a combined consideration of approximately C$900M.

On August 24, 2022, GardaWorld purchased ARCA, a global leader in cash technology solutions and a global market leading manufacturer of teller cash recyclers for financial institutions. ARCA was established in Mebane, North Carolina , and Bollengo, Italy. It has operations in more than 25 countries and employs 320 people. It will join forces with Sesami (see above).

MERGERS

Reporting Period: Year 2022 up to August 24, 2023

(the date of publishing this White Paper report)

Paladin Security

Paladin Security Group LTD, with revenues exceeding $1 billion, is a 100% management-owned, full-service security company headquartered in Vancouver, British Columbia with a U.S. subsidiary called PalAmerican. During the reporting period, it bought two manned guarding companies in Canada and three in the U.S. It also bought three systems integration companies in the U.S. None of the acquired companies had revenues exceeding $100 million.

On July 5, 2023, Paladin signed an agreement to sell its $400 million systems business to BOSCH. The proposed transaction is presently waiting for approval from the regulatory authorities.

TARIAN Group

The Tarian Group, with revenues exceeding $200 million, partnered with Nautic Partners in March of 2022 for the purpose of building a national security services company specializing in Commercial, Aviation and Healthcare Services sectors. The Tarian Group recently purchased two companies, Hospital Shared Services (HSS) a national firm with estimated annual revenues of over $150 million and RSIG in Boston, MA. The transactions and their terms were not announced publicly. The company is expected to continue its growth through organic opportunities and select acquisitions.

GTCR

On August 08, 2023,GTCR, a leading private equity firm currently managing over $25 billion in equity capital, announced that it has signed a definitive agreement to acquire ADT's Commercial fire and security segment ("ADTC") from ADT, Inc. GTCR will partner with former security executives Tim Whall and Dan Bresingham to acquire ADTC in a transaction that values the business at approximately $1.6 billion. Headquartered in Irving, TX, ADTC is a provider of the installation, monitoring, and ongoing service of commercial security, fire, and life safety solutions. Together, GTCR and ADTC will implement a strategy to drive continued growth and innovation, with additional capital available to help fund strategic M&A opportunities. ADT expects to use the net proceeds of about $1.5 billion from the deal to cut debt.

MERGERS

Reporting Period: Year 2022 up to August 24, 2023

(the date of publishing this White Paper report)

SOUTHFIELD PROTOS SECURITY

Southfield Capital-backed Protos Security provides vendor-managed manned guarding, off-duty law enforcement, remote video monitoring, and other security-related technologies and services — generating $700+ million of annual revenue. Protos has undertaken an active M&A-growth strategy to complement its strong organic growth since Southfield's original investment, including a number of strategic tuck-in acquisitions completed in 2022: MG Security, Blue Star Security, Squad Security, and ControlByNet — none had revenues exceeding $100 million.

MERGERS

Defining Private Equity Groups

Private Equity Groups (PEGs) are firms made up of executives with an attractive track record in running large companies; and experts in analyzing the financial data of the target companies the group is interested in buying. The PEG will have a track record in finding, buying and managing (either passive or active) struggling or growing companies needing the financial resources to take the company to the next logical level. The investors in these firms are primarily very large pension funds, insurance companies, high net worth individuals, family partnerships, municipalities, the members of the Private Equity Group and sometimes the owner of the company they are buying.

According to the Private Equity Growth Capital Council, there are more than 3,300 private equity firms in the United States that own more than 11,000 businesses, which employ roughly 7.5 million people.

Private Equity Groups Investing in the Contract Security Market

Traditionally, the PEGs interest in the security sector was mostly centered around the biometrics and electronic security businesses, since these companies carried larger margins with less liability than the traditional manned guarding companies. But this has changed as evidenced by the chart on page 62***. Private Equity is now heavily invested in the manned guarding security market. The U.S. revenues from Private Equity owned North American based contract security companies is now approximately $17 billion (over half of the total market) and may get larger as other Private Equity firms learn more about the merits of the contract security Market – although the Market is not necessarily recession proof, it certainly fares much better than the general population of companies do in an economy affected by COVID-19, as well as other challenges.*** This recent interest in the Market is also evidenced by the uptick in owners of medium sized and, now, smaller security companies being contacted directly by the PEGs, or the PEGs buy- side brokers, inquiring about the owner's interest in selling their company.

Private Equity has a lot of idle cash that needs to be put to work. According to a March 23, 2020 Bloomberg article, Private Equity is presently sitting on approximately $2 trillion of idle cash, and because of the uncertainty of what's going to happen to the economy resulting from the Pandemic, and possible recession, the PEGs are investing very cautiously***. And as mentioned above, the PEGs are doing their homework and research for their next successful roll up; which may very well result in more Private Equity Groups making investments in the "recession resistant" security sector.*** Traditionally PEGs don't mind taking risks (except for the unusual risks associated with the Pandemic) and are committed to investing what's necessary to make sure the company they are invested in is successful. The PEGs are developing technology (which requires a large financial commitment), paying high multiples for well-run tuck-in companies with characteristics consistent with their growth criteria, and paying salaries high enough to attract the seasoned executives capable of making all of this happen.

MERGERS

Private Equity has been a Source of Retirement for Owners of Well-Run Companies

Collectively, the very few PEGs that have invested in the contract security market over the past 10 years have bought over 200 privately held companies; providing the sellers the opportunity to receive a well-earned reward for their many years of hard work. The large public companies such as Securitas and G4S have been on the sidelines for acquisitions of traditional manned guarding companies for the past 15 years, so they have not been a buyer of choice. The privately held companies looking to make acquisitions have not been able to compete with the high prices the PEGs are paying. The privately held company buyers are not sitting on a stash of idle cash, therefore have to rely on bank loans to finance the acquisition. The banks are requiring the buyer/owners to collateralize the loan with the net worth of the buying company as well as the personal assets of the owner/buyer, which the "would be" buyer does not want to do; and the sellers are not willing to take a long term note.

There are very few flagship size companies left in the market today as a result of the buying spree of Allied Universal. This means that he PEGs that are seriously considering the security market for their next big investment, may have to lower their sights on the size company that will be their flagship, and buy a series of smaller companies with the view of consolidation as some of the PEGs that have recently entered the market are doing (page 62).

MERGERS

COMPANY	PE PARTNER	DATE INVESTED	OVERVIEW
Allied Universal	Warburg Pincus; Partners Group; J. Safra Sarasin; CDPQ	Various	All of the Private Equity Groups are co-investors and own collectively about 90% of Allied Universal.
Security Solutions of America	Capitala	June 2015	Capitala has a significant investment in Security Solutions of America.
PPS	Sunlake Capital; Mangrove	December 2018	Sunlake partnered with Mangrove Equity to form PPS, a contract security platform specializing in Private Security and Off-Duty Law Enforcement.
Protos Security	Southfield	March 2019	Southfield Capital formed Security Services Holdings to pursue a roll-up strategy of manned security guard companies, off-duty law enforcement companies, and tech-enabled security solutions alongside its vendor managed, asset-light platform acquisition of Protos Security.
GardaWorld	BC Partners	July 2019	BC Partners owns 51% of GardaWorld, with Stephan Crétier, the CEO, together with select members of management owning 49%.
Regiment Security Partners	Cold Bore Capital	July 2019	Cold Bore Caital formed Regiment Security Partners in 2019 to pursue a roll-up strategy in the contract security industry.
Tarian Group	Nautic	March 2022	The Tarian Group is teamed with Nautic Partners (a Providence Rhode Island private equity firm) for purposes of growing a national security services company specializing in the commercial, aviation, and healthcare security services sectors.
The Facilities Group	Greenbriar; Revolent Capital Solutions	2023 (in security)	The Facilities Group is a portfolio of commercial facilities maintenance (and now security) companies. The group of companies service more than 27,000 locations. TFG entered the security space through the acquisition of OSS in February 2023.

MULTIPLES

MULTIPLES

Some History . . .

According to our research, the big deals started over 40 years ago (1982) when American Brands, Inc., a huge publicly held conglomerate, added to its diverse holding by buying Pinkerton's Inc. – then one of the biggest names in security services.

Six years later, CPP Security Services, a Van Nuys, California-based provider of security guards nationwide, bought Pinkerton's from Standard Brands, creating a company with annual revenues of over $650 million, when combined with CPP's existing business. This gave the newly merged company over 10% market share as the biggest player in the, then, $6 billion security guard market.

We followed many large deals following the CPP/Pinkerton's merger, and although most were announced, only a few revealed the purchase price. Below are the transactions for which the purchase prices, expressed in multiples of EBITDA, were announced:

1999 - Securitas entered the U.S., the largest security market in the world, by buying Pinkerton's for **12.3X** EBITDA.

2000 - Securitas bought Burns Security, with revenues of $1.5 billion for **8.9X** EBITDA.

2002 - Group4/Falck (now G4S), entered the U.S. market by purchasing the Wackenhut Corporation, with a heavy concentration in government and prison security; a lot being offshore. Given the heavy concentration in public bid type work, the multiple was lower than usual, coming in at **7.8X** EBITDA – for a $2.8 billion company.

2009 - Andrews International, owned in the majority by the Audax Group, a large private equity firm, bought Vance International from SPX , for a multiple of **9.8X** EBITDA. The revenues of Vance at the time of the sale were $128 million.

2015 - The Wendel Group bought AlliedBarton Security Services from the Blackstone Group for $1.67 billion at a multiple of **11.6X** EBITDA.

2016 - Allied Barton merges with Universal Protection to create a $5 billion contract security company operating mostly in the U.S. The name is rebranded to Allied Universal

2018 - Allied Universal buys US Security Associates for a little over **10X** EBITDA. At the time of the purchase, USSA had revenues of approximately $1.5 billion.

2019 - Allied Universal was valued at almost 100% of annual revenue – about **12X** EBITDA – in the sale of the majority interest to CDPQ in December of 2019 – giving Wendel almost 2.5 times its original investment in a little over one year of ownership.

2021 - Allied Universal pays approximately **11X** trailing EBITDA, in an auction process, for G4S to form, at almost $20 billion in revenue, the largest security company in the world. Allied Universal paid around $5.3 billion and assumed approximately $3 billion of debt in the deal, making the enterprise value about $8.3 billion.

2022 - Securitas bought the systems integration business from Stanley Black & Decker. The purchase price was $3.2 billion for $1.8 billion of revenue coming in at around 16X trailing EBITDA. [NOTE: systems businesses typically sell for higher multiples given their higher margins and more predictable income stream].

MULTIPLES

What Does the Future Hold for the Multiples of Large Contract Security Companies?

The climbing interest rates dramatically affect the prices companies, or private equity groups, can pay for their targets. The higher interest on acquisition loans is usually, but not always as mentioned below, passed on to the sellers in the form of a lesser price. A July 29, 2023, issue of "The Research Pitch" reported that purchase price multiples [for companies across all industries] are down roughly 20% from the 2021 peak (-24% based on revenue multiples, -16% using EBITDA multiples .

Do the high interest rates lower the valuations for security companies? Steve Jones, the CEO of Allied Universal – the most active acquirer of large companies in the security space for the past several years - thinks so. He said this about Allied's position on acquisitions in a June 06, 2023, issue of ***MergerMarket . . .*** "We're more selective and will remain so until the cost of capital becomes less expensive. And, through opportunistic on transformational buys, Allied's sweet spot is now companies with up to $50 million in revenue that fit into its two primary offerings: manned guarding and systems and technology. Allied is looking at a handful of smaller targets right now in the range of 6X to 12X EBITDA, while average EBITDA margins are between 4% and 10%, with tech-focused players on the higher end of both ranges".

But there are other indications that the multiples will remain in the 10X EBITDA range, or higher, for the **large privately held** security companies, in spite of the high interest rates. The interest in the security space is still very strong. There's a definite uptick in calls we're receiving from Private Equity Groups that, although it's costing them more to borrow money right now, are anxious to buy a flagship company in the fast growing and very opportunistic contract security market, and they're willing to pay a premium to get the seller to the negotiating table.

MULTIPLES

The large companies owned by PEGs will continue to buy their smaller competitors but not at increased multiples. Although they need to get large quickly before they sell or reorganize at the end of a 5-7 year holding period, they still will do the analysis. They're asking the question: Do they pay a high multiple for a company just to grow faster, or do they use their funds set aside for acquisitions in a more robust marketing program?

Over the reporting period, we found that many of the large and small private equity groups invested in the security space have curtailed, but not stopped entirely, their acquisition activity. They are having unprecedented organic growth and entering new vertical markets previously provided by acquisitions of their smaller competitors. They are still buying, but are more selective in the companies they will consider; thus, they have left the "buy now, fix later" mode.

In the past, buyers gave all the sellers a very generous credit for the redundant cost eliminations when the two companies were integrated. But the acquisition candidate of today must meet the much higher criteria of the buyer. The seller commanding a premium today should be profitable before the generous add-backs with bill rates high enough to support the higher cost of hiring quality security personnel. Although some of the generous buyers may buy a company that needs "fixing," they will offer a much lower multiple.

Also, the private equity group owners are relying more on the 3rd party firms to perform a Quality of Earnings Report on the company they're considering buying. The 3rd party will get very detailed in checking out the company and they're expensive – but necessary in giving the private equity group buyers the assurance they need in making the acquisition. This additional cost is being passed on to the seller as a lower offering price for the company.

The smaller privately held sellers operating in a target area for an aggressive buyer, with low liability accounts, high enough bill rates to attract quality labor and credible GAAP prepared financials, are still commanding unprecedented multiples in today's market despite the slowdown in acquisition activity. A small to medium-sized company with the above characteristics can still expect 6 – 8 X EBITDA, after generous buyer add-backs, on an enterprise value basis. However, even though the multiples remain very attractive for these smaller companies, the selling prices, in many instance, are lower since the multiple is applied to depressed earning due to rising wage costs without a corresponding increase in bill rates.

OUTLOOK

OUTLOOK

THE OPPORTUNITIES FOR SECURITY COMPANIES IN TODAY'S MARKET

Our country and the world have gone through unprecedented times in the past 3 1/2 years. In addition to all the shutdowns caused by the pandemic, our country has seen a dramatic increase in political upheaval, border crisis, racial unrest, mass demonstrations (many causing harm to individuals and property), school and mall shootings, the war in Ukraine, and the latest challenges being the run-away inflation that may result in a recession. All this upheaval caused a large increase in our awareness of the need for more effective security - exhibited in the form of in-house security being converted, or supplemented by, outsourced security, as well as existing customers demanding a more effective security offering.

Shrinking Public Police Forces, as well as increased crime, are putting a high demand on Contract Security Services

Many companies in our survey reported an increase in revenue resulting from an increase in crime and the shrinking police forces. See just some of the headlines, and quotes, below that, underscore and support what the owners are reporting:

- Fox 32-Chicago on May 06, 2022 – "Private security in Chicago neighborhoods is becoming the norm, all in an effort to cut down on crime. Private patrols can already be found monitoring neighborhoods . . ."
- The City Journal of Minneapolis, on September 16, 2022, reported: "More than 250 officers have resigned or retired since June 2020. Meantime, crime has spiked, with 96 homicides in 2021 – doubling the number in 2019 and tying a 1995 record. Private security has stepped into the breach."
- WNCN in Raleigh, N.C. on March 02, 2023 – "In Raleigh and throughout North Carolina, private security companies say homeowners and business owners are budgeting more money for private security."
- New York Post on March 10, 2023 – "NYPD cops resigning in new year at record-breaking pace- with 117% jump from 2021 numbers. The NYPD saw 3,701 cops retire or resign in 2022, the most since 3,846 cops departed in 2002, after the 9/11 attacks."
- Time Magazine – April 24, 2023 – "Private Security Guards are replacing police across America."
- Scripps News – May 19, 2023 – "Not just 'Mall cops': why the private security industry is growing. More communities struggling with crime are adding private security to keep an eye on things."

And the most compelling article was published by SecurityInfoWatch on August 04, 2023, reported under the headlines: As police forces struggle, can the private security industry seize the moment?

- "Despite all the industry buzz about artificial intelligence and robots replacing traditional security guards, the threat to the environment and uptick in violence in many U.S. cities suggest otherwise".
- "Statistics, studies, and interviews conducted by SecurityInfoWatch, suggest private security forces will be more needed than ever as public police departments struggle with recruitment, retirements, high costs for wages and equipment, and anti-police sentiment".

OUTLOOK

- There is clearly an increased environment of unrest in the U.S., whether it's retail theft, organized criminal enterprises, active shooter incidents, and even political extremism," says Steve Amity, executive director of the National Association of Security Companies (NASCO). "Who would have thought 10 years ago that you'd have to hire a security guard on election day at polling places, or a school board meeting?" Amity says. "You're also seeing a sea change in the attitude of the general public in terms of whether they feel safe or not."

Customers Giving Less "Push Back" to Bill Rate Increases

As mentioned in the section on "What Owners Are Saying About The Market," security companies are now more successful in getting bill rate increases to offset, or partially offset, the increased pay to the officers. The security companies are going after the increased bill rates now, while the labor shortage is still on the minds of the customers.

Advanced Technology Becoming Less Expensive; Making it Easier for the Smaller Company to Compete

We've seen over the years that what used to be very expensive technology is now a lot more affordable for the smaller company. However as this technology is put in place by the smaller company, a better and more expensive "mouse trap" in technology is introduced by larger companies starting the vicious circle for the smaller company to stay caught up. At least for now, there is technology in the industry affordable enough for the smaller company to offer some sort of technology although not as technologically advanced as the offering by its larger competitors.

New/Expanding Vertical Markets

Off-Duty Policemen – Our survey indicated that more and more customers are requesting off duty policemen to secure their premises. The customers perceive the policemen as better trained, especially when required to carry a weapon.

K-9 Offerings – Allied Universal recently bought a $200 million K-9 company headquartered in New York as this type of service is in high demand for canines with bomb-sniffing abilities, especially at airports. K-9s are also being used in public places and schools to detect weapons – a rapidly expanding new service for contract security companies. Several companies have just started this offering.

Companies With In-House Security Converting to Outsourcing

Companies providing their security in-house remain at approximately $15 billion, based on what they would have to pay at outsourced security rates. A study by our firm indicated that 60 – 75% of this market may be favorable for converting from in-house to outsourced security. The companies providing their security in-house are finding they can't keep up with what it now takes to protect themselves from all the aforementioned threats that evolved in just the past three years. The training is more expensive, and so is the investment in technology to supplement the security officer. The large, outsourced security companies such as Securitas and Allied Universal started several years ago investing heavily in the training and technology necessary to handle this more demanding area of security and are now reaping some of the rewards of their investment through an increased number of new customers that previously provided their security in-house. Many experts in the security industry are predicting the ratio of outsourced security to the total market will grow dramatically in the near future; although our recent survey did not reveal much of this is happening – yet.

OUTLOOK

Legalizing Cannabis at the Federal Level

The cannabis market is one of the fastest-growing industries in the world. It's still not legal at the Federal level in the U.S. Archview Market Research and BDS Analytics predict a 32.92% Compound Annual Growth Rate in this market (worldwide) by the end of 2026.

In spite of this tremendous growth in a market needing quality security and willing to pay for it, very few security companies operating in the U.S. have entered the market. The ones still on the sidelines say their banks are reluctant to accept the deposits, and insurance companies decline coverage since it's still technically considered an "illegal" activity. But that may change, and it may be soon – opening up the industry for the many security companies waiting for it to be legalized at the Federal level.

According to the *National Council on Compensation Insurance*, as of June 2021, there are now 19 states plus the District of Columbia that have legalized the recreational use of marijuana, and most of the 50 states have legalized some form of marijuana for medical purposes.

OUTLOOK

THE CHALLENGES FOR SECURITY COMPANIES IN TODAY'S MARKET

Shortage of Labor Resulting in Increase in Non-Billable Overtime Pay - or Worse - Unmanned Posts

The results of our owner interviews, as well as the financial statements we reviewed, indicated continuing high nonbillable overtime premiums compared to what it was pre-pandemic. Some owners reported a slight decrease in non billable overtime premiums in the past six months as some of the guards returned to work – although mostly at a trickle pace for now. As discussed in the "Margins" section of this white paper, the security market is very much in a state of transition where the companies are aggressively pursuing bill rate increases to compensate for the high labor premiums – and many of the owners have had success in getting the increases, although still have a long way to go to bring the labor to bill ratio down to where it was pre-pandemic and cover the additional direct costs mentioned in this section.

State Unemployment Tax Increases Will Roll Out Soon

Given the amount paid out during the pandemic, the state unemployment funds have been drained. The states will be assessing a higher rate to the companies operating in that state and the increase could be dramatic. Usually states are about 18 to 24 months behind assessing the new rates from the time the funds start being paid out to the time of the increase in the rate. The state of California announced on May 09, 2023, through the Associated Press, that it would implement a large unemployment tax increase on employers to last a decade as a way to raise money to pay the Federal government back for monies it received to keep paying laid off workers during the pandemic.

Possible Expanded Affordable Care Act

The politicians who were against the ACA in its entirety lost their battle to get it reversed. They gave up the fight, signaling the possibility the provisions previously eliminated, such as the individual mandate, would be reinstated , as well as an overall expansion of the ACT.

Predictive Scheduling - This challenge to the security industry was first introduced in our July 2019 White Paper. Although there are very few cities that include security guard companies under the law, it remains a concern that the law will spread across the country.

Predictive Scheduling was originally passed in San Francisco in 2015, followed by the state of Oregon, making it a statewide mandate, as well as the cities of Philadelphia, Seattle, Emeryville (CA), New York City, and most recently - Chicago. The law was designed to assure the "quality of life" for the employees. It required employers to give the employee a certain number of hours/days' notice before changing the employee's normal work schedule; if violated, the employer would have to pay high premium rates for the hours worked "outside" the normal scheduled hours. The act went into effect in Chicago in July 2020.

Chicago is the only venue we could find, so far, that has specifically included security services under its list of businesses required to meet the standards of the Act.

This new Act is not only troubling for the owners of traditional manned guarding companies operating in the city of Chicago, but owners of manned guarding companies in other areas of the country are now concerned that their geographical coverage may be the next target for Predictive Scheduling. However, the states of Georgia, Iowa, Tennessee, and Arkansas have passed statewide legislation that forbids this type of ordinance, citing that such laws put the employers in that state at an economic disadvantage compared to other states that do not have this type of law.

When we interviewed the owners of select companies operating in the Chicago market, they reported that, even though the law is technically still in effect, they haven't seen any real enforcement of penalties imposed for violation given the current very tight labor market where the companies are struggling just to hire enough security officers to fill the open posts. However, it's believed that the law may become more stringent once the labor market improves.

Highest Inflation in Over 40 Years Causing Rising Interest Rates and the Fear of a Recession.

Our country is experiencing the highest inflation in over 40 years. As a reference point, the inflation rate in January 2019 was 1.5%, and in June 2022, it was 9.1%. It's presently in the 2.5% range as a result of steps the Federal government took to curb inflation by raising rates to borrow money. The interest rate increases were rolled out 11 times in frequent intervals starting in June 2022. The rate is now in the 5.5% range, with a few more expected until the inflation rate reaches its target of 2% or lower. This increase in borrowing money negatively affected security companies through working capital loans, financing patrol vehicles, monitoring equipment, and buying uniforms. Also, as mentioned elsewhere in this white paper, it affects the valuations of many companies as the buyers started passing the higher interest cost on to the sellers in the form of a lesser offering price for their company.

Stronger Competition from non-traditional manned guarding companies

ADT, with approximately $7 billion in revenues, recently developed EvoGuard through its ADT Commercial company (ADTC). **EvoGuard is a new suite of intelligent autonomous guarding solutions and services aimed at helping to cost-effectively enhance corporate security programs while responding to high turnover rates and ongoing labor shortages in the guarding market**. At the time of developing this technology, ADT was 20% owned by State Farm Insurance, having $42.5 billion in annual premiums. Just this month, ADT announced the sale of ADTC to prior ADT executives and GTCR (a large Chicago based private equity firm) for $1.6 billion. GTCR manages over $25 billion in equity capital and has committed to additional investments in ADTC to implement a strategy to drive continued growth and innovation. Prior to this sale, ADTC was already competing with the manned guarding companies that offered systems integration services and will now be competing in the manned guarding segment with heavy financial backing.

Johnson Controls, with approximately $30 billion in revenue, announced the integration of its present C-Cure 9000 access controls and event management system with Cobalt Robotics' remote guard service. In announcing the move, JC said this about the new service: "As companies turn to technology to secure their facilities and keep employees safe, the integrated Johnson Controls and Cobalt solution can automate responses to major security incidents from breaches and break-ins to risks like open doors. **With businesses struggling to find security guards and keep costs under control, this integrated system is the way to automate alarm response at a substantially reduced cost.**

OUTLOOK

HEAD WINDS TO WATCH FOR

Proposed Rule on Non Competes

On January 05, 2023, the FTC proposed a rule banning non-compete agreements, which would make it illegal to:

- Enter into or attempt to enter into a non-compete with a worker [presently all the way to the top of the organizational chart].
- Maintain a non-compete with a worker.
- Represent to a worker, under certain circumstances, that the worker is subject to a non-compete.

As of the issuance of this white paper, the FTC is still receiving comments on this proposed ruling. Many experts have expressed doubt that the ruling, at least in its present form, will ultimately be passed.

Expiration of the Tax Cuts & Jobs Act (TCJA)

In order to “fix” certain concerns about the Federal budget deficit, lawmakers are considering letting the TCJA, or at least certain parts of it, expire at the end of 2025. Below are some of the changes that would affect companies and/or owners of companies:

Presently, the TCJA allows owners of partnerships, limited liability companies, and other so-called pass-through businesses (“S” corporations) to escape tax on 20 percent of their income. This is subject to expiration.

Presently the profits of “C” Corporations are taxed at 21%. If this is part of the TCJA benefits left to expire, the tax on the profits of these corporations will go back to 35%.

Possible Increase in the Capital Gains Tax Rate

Also in an effort to “fix” concerns about the Federal budget deficit, lawmakers continue to consider raising the capital gains tax from its present 21% on qualified assets being sold to a much higher percentage – some talking about raising it to 28%, while others are talking about eliminating the capital gains tax break and taxing the gain on a capital asset at the same rate as the rate on ordinary income, which is presently a top rate of 35%.

GLOSSARY

GLOSSARY OF TERMS

CAGR - Compound annual growth rate

Cyber Security - The protection of internet-connected systems, including hardware, software and data, from cyberattacks

EBIT - Earnings before interest and taxes

EBITDA - Earnings before interest, taxes, depreciation and amortization

EPS - Earnings per share

In-House Security - Term used to describe the use of a company's own employees to provide the security function vs. using a contract security company

Integrated Guarding - Term coined by the large security companies to describe the combination of on-site manned guarding with remote video and mobile vehicle patrol

Manned Guarding - Term used interchangeably with security guards and security officers

Margin - Gross income (income after production expenses – i.e., site level income) as a percent of total revenue.

Operating Margin - Earnings before interest and taxes as a percentage of total revenue

Organic Growth - Growth exclusive of acquisitions

ABOUT US

ABOUT ROBERT H. PERRY & ASSOCIATES, INCORPORATED:

For over 25 years we have successfully completed over 250 sell-side engagements for security companies located in 8 countries and having revenues between $2 million - $250 million.

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