U.S. CONTRACT SECURITY INDUSTRY

White Paper

August 2021

ROBERT H. PERRY
& Associates, Incorporated

OVERVIEW OF THE 2021 WHITE PAPER

The current state of the security market cannot be told without starting with what the COVID-19 pandemic has done to our country and our world. In just a few words, a June 20, 2021 article in ***The Washington Post*** said it best: "***The U.S. economy is emerging from the coronavirus pandemic with considerable speed but markedly transformed, as businesses and consumers struggle to adapt to a new landscape with higher prices, fewer workers, new innovations and a range of inconveniences. In late February 2020, the unemployment rate was 3.5 percent, inflation was tame, wages were rising and American companies were attempting to recover from a multiyear trade war. The pandemic disrupted everything, damaging some parts of the economy much more than others. But a mass vaccination effort and the virus's steady retreat this year has allowed many businesses and communities to reopen.***"

The contract security industry was not as scathed by the pandemic as most industries, underscoring, again, its resilience and importance it plays in our everyday lives. In fact, some security companies are still experiencing increased profits resulting from the extra high margin COVID-19 services. The path forward for those companies, and the industry as a whole, remains very uncertain - especially in light of what may happen as the new Delta variant of COVID-19 (sometimes referred to as COVID-21) continues its rapid spread threatening a new shutdown. Here's a brief overview of what happened to the security industry over the past 19 or so months – some events as a direct result of the pandemic, others politically or socially initiated:

The Five World Leaders (See pages 11-47)

For purposes of reporting the information on the world leaders, we considered G4S as a separate company in the chart on page 11. For the companies that reported their financials publically, we found that Securitas had a "real" increase in sales globally of 3% when compared to the 2019 year. It reported 2% organic growth in North America for the 2020 year. Prosegur, reported a global decrease in sales of 15% of which 10.1% was the effect of the foreign exchange rates and not a decrease in billable hours.

The Industry - Revenues and Number of Employees (See pages 48-51)

The industry lost approximately $1 billion of revenue at the beginning of the pandemic from customers in the "affected industries". However, it gained a similar amount through extra, high margin, COVID work such as temperature screening and distance monitoring. Therefore, we estimated the total market size to remain at $28 billion – no change from the 2019 year. We estimate a slight decrease in the number of employees, from 830,000 to 810,000, due to the replacement of security officers with remote video monitoring and the number of employees still in the unemployment lines receiving the $300 per week in Federal pandemic relief monies. The extra high margin COVID work allowed the revenues to stay the same as the 2019 year, even though the total number of employees decreased by approximately 20,000.

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Opportunities and Challenges (See pages 53 - 60)

Going forward, the security companies will see growth through: In-house security converting to outsourced security, governmental agencies outsourcing the security function, increasing the electronics security offering, and the possible legalization of Cannabis at the Federal level.

Security companies will also face challenges: reducing the billable manned guarding hours and replacing it with electronics, predictive scheduling laws expanding into more states and cities, a possible continuing shortage of labor, banks tightening lending standing standards, expansion of the $15 per hour minimum wage into more municipalities, restoration of the full benefits of the Affordable Care Act, dramatic increase in state unemployment taxes and increases in taxes on income.

Margins (Gross Profit) (See pages 62 - 67)

During the 2020 year, the margins, for most companies, stayed relatively unaffected as the high margin COVID work offset some of the non-billable over time premium pay. However, looking at the first half of the 2021 year, the margins are starting to deteriorate as the COVID work has subsided and the companies are having to deal with the high overtime rates. Typically the gross margin for small to medium sized companies operating in the U.S. has been in the 15% – 16% range, but has fallen a couple percentage points in the past few months due to the shortage of labor. Ironically, the margins for the large international companies are in the 18% – 20% range for two reasons: they have a lot of revenues coming from the emerging markets where the customers will accept a higher billing rate and - they have a larger percentage of their revenue coming from the “integrated” security offering which typically carries 20% or higher margins.

Mergers (See pages 68 - 73)

Allied Universal was the most active in buying companies during the reporting period; buying Summit Security and SecurAmerica, having revenues of $225 million and $467 million, respectively. However, by far, the one that dominated the headlines from December 2020 through April 2021 was the G4S acquisition. The deal was finalized on April 06, 2021 and, at $18 billion in total worldwide revenues, created the largest security company in the world.

Private Equity increased its presence in the contract security industry during the reporting period. New entrants bought “flagship” companies as small as $10 million in revenue and several others are still looking for just the right company to buy, then build to become a major force in the industry.

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Multiples (See pages 75 - 77)

The very large companies, with revenues exceeding $500 million, were (and still are) valued at 11 – 12 times the seller's EBITDA. The smaller companies, which are usually bought by their larger competitors, are still valued at a multiple of gross profits (instead of multiples of EBITDA) since the buyers usually give the seller credit for the redundant overhead cost that goes away after the acquisition is transitioned. However, since the recent increase in non-billable overtime premium pay and the increase in the new hire starting pay rate has eroded the gross profits, many owners have found that their company is worth less in the present market than it might have been as recent as a year ago, even though the gross revenue may have increased

The Dilemma Facing Sellers of Companies in Today's Market (See page 78)

The dilemma the owners, who are wanting to sell now, are facing is whether to sell now at a ***possible*** lower valuation when the transaction is taxed at 23.8% or sell at the new higher rate of 42.8%, which is presently being considered by Congress.   In effect, the seller would have to receive about 30% more in gross selling price dollars after the new rate goes into effect in order to receive the same net proceeds as it would get by selling under the present tax structure.

ABOUT THIS EDITION

This annual White Paper marks our 13th year of reporting on the status and direction of the U.S. Contract Security Industry. 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
- Discussions with the large consulting firms doing research on the manned guarding market
- 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

MARKET BY THE NUMBERS

OUTSOURCED AND IN-HOUSE SECURITY MARKET

$43bn

OUTSOURCED CONTRACT SECURITY MARKET

$28bn

$18bn

REVENUES FOR THE 5 MARKET LEADERS

$5.5bn

REVENUES FOR THE 2 MAJORITY FOREIGN-OWNED INDUSTRY LEADERS (1)

OUTSOURCED SECURITY OFFICERS	COMPANIES IN THE UNITED STATES	TOTAL REVENUE GROWTH FOR THE U.S. MARKET	ORGANIC GROWTH FOR THE U.S. MARKET
810k	8k	0%	0%

(1) Includes Securitas and Prosegur since GardaWorld, and now G4S, are headquartered in North America.

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MARKET

DEFINING THE US CONTRACT SECURITY MARKET

Today, many of the smaller companies that provide only traditional standing security officer services continue to use the terms “security guard” or “contract security” as a way to describe their company and the limited menu of services they can afford to provide. These are the terms the general public are still the most familiar with as they search listings to find a company that may provide ***only*** a standing security officer for primarily temporary assignments.

However, the larger companies that still derive a significant portion of their revenues from traditional standing security officer services have moved away from describing their company in the above terms; instead use terms such as, “security solutions”, or “integrated security solutions” (or other combinations of similar terms) as a way to define their company and services offered. In fact, Securitas made a bold move at the end of 2020, by redesigning its logo (the first redesign since 1972) headlined by the tagline ’See a different world’. The news release on this announcement went on to report that the new brand highlights the company’s human and progressive approach to security, and the positive impact of its innovation and technology—in effect, Securitas further distancing itself from its smaller competitors and the long standing labeling that highlighted its manned guarding services over its more technologically advanced offerings.

As pointed out throughout this white paper report, this year saw more and more smaller companies turn to some sort of “integrated guarding” as a way to deal with the serious labor shortage. We expect this trend to continue past the end of the crisis as the technology, coupled with the manned guarding component, becomes a lot more efficient and the customers become more demanding to receive it.

Below is a description of most of the service offerings by the traditional manned guarding companies (although now describing themselves according to the terms identified above):

- Traditional on-site standing security officers (often enhanced by a roving vehicle patrol function)
- Remote video monitoring
- Robots
- Drones
- K-9 security
- Systems integration - Integrated 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.
- COVID-19 temperature checks, distance and mask monitoring (as of the publishing of this white paper report, much of the COVID services have been terminated, but may return if the new Delta variant proves to be the fourth round of the pandemic).
- Cyber security—although offered on a limited basis by the traditional contract security companies.

5 WORLD LEADERS

Company	Country Headquarters	Revenues (1) Globally: Local Currency	Revenues (1) Globally: in U.S. $ (2)	Revenues (1): Approximate U.S. Revenue	
SECURITAS	Sweden	MSEK 107,954	$11.9bn	$5.2bn	(6)
G4S	United Kingdom	£7.0bn	$9bn	$3.0bn	(3) (6)
ALLIED UNIVERSAL SECURITY SERVICES	United States	$9.0bn	$9.0bn	$8.9bn	(6) (7) (8)
PROSEGUR	Spain	€3.6bn	$4.1bn	$0.3bn	(4)
GARDAWORLD	Canada	CN$3.7bn	$2.8bn	$0.6bn	(5)

(1) All revenues are for the 2020 year, except GardaWorld, which ends its year January 31, 2021.

(2) Local currency to U.S. dollar conversion rates (based on average rates for the 2020 year)

MSEK	= million Swedish Krona	9.16 SEK = $1
£	= British Pound	£ 1 = $1.28
€	= Euro	€ 1 = $1.14
CN	= Canadian Dollar	CN1 = $0.7568

(3) Over the past 4 years G4S has divested non-core businesses generating revenues of approximately $1.7bn.

(4) Prosegur entered the U.S. market in early 2019 and presently has approximately $300M in revenue from U.S. operations.

(5) Additionally, Garda has approximately $600M in cash-in-transit revenue services in the U.S.

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

(7) Estimated Run Rate Revenues as of December 31, 2020.

(8) Amounts estimated since financial are not released as public information.

OVERVIEW OF WORLD LEADERS

Highlighting the World Leaders

The five 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 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 is expanding its menu of services to incorporate the use of technology. They have been pouring huge 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 five leaders presented on pages 13 to 47 was gathered from market sources and primarily the annual reports (in the case of Securitas, G4S, and Prosegur - the three publicly-owned companies). 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.

OVERVIEW OF WORLD LEADERS

Key Performance Indicators

On April 6, 2021 Allied Universal acquired G4S creating the largest security company in the World

Worldwide Revenues	Employees	Countries
Over $18 billion (1)	Over 800,000	90

Customer Retention Rate	Revenues from Technology Offerings	Gross Profit Margins
Over 92%	Over 25%	Over 14%

(1) $18.5 billion considering Allied Universal's run rate at the date of the G4S acquisition.

- Blue print is information inserted by Robert H. Perry & Associates

Source: Websites for Allied Universal and G4S and News releases

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Allied Universal was formed in 2016 with the coming together of two security company giants – Allied Security at approximately $2.5 billion of revenue and Universal Protection at approximately $2.3 billion.

Allied's History

The company was originally formed when two seasoned security executives partnered with a small California Private Equity Group to buy Spectaguard – a local company based in Philadelphia primarily providing security for local sporting events. The newly formed company went on to buy Allied Security (established in 1957) in 2000; and rebranded to Allied Security. It continued to purchase additional large companies, such as Barton Protective with approximately $350 million in revenue (and renamed itself AlliedBarton), and Initial Security with approximately $225 million in revenue. In total, AlliedBarton made approximately 10 acquisitions. AlliedBarton's first Private Equity Group owner was MacAndrews & Forbes, then the Blackstone Group (one of the largest Private Equity Groups in the world) until its sale to the Wendel Group in December, 2015. AlliedBarton merged with Universal Protection in April of 2016 and the newly formed company took on the name of Allied Universal. At the time of the merger, Allied Security had grown to a run rate of approximately $2.5 billion. Wendel retained a significant ownership in the merged company until all its shares were bought by the remaining shareholders in late 2020.

Universal's History

At the time the merger with AlliedBarton was announced in April of 2016, Universal Protection had a run rate revenue of approximately $2.3 billion, but had grown to $2.5 billion by the time the merger became effective August 1st. Universal was established in 1965 and had revenues of about $15 million 20 years ago when it was bought by Brian Cescolini and Steve Jones through a management led buy-out. Universal grew organically and reached a volume of around $350 million in 2008 when it teamed with a mezzanine fund in California to provide short-term acquisition funding. Universal later teamed with the Partners Group, headquartered in Europe, for an expanded acquisition line; then with Warburg Pincus for the financial backing it needed for the acquisition of industry giants such as Guardsmark (about $500 million in revenue) and the contract security division of ABM (revenues of around $400 million). In 2018, in order to buy the $1.5 billion US Security Associates company, Allied brought in Caisse de dépôt et placement du Québec, a very large investment funds management firm headquartered in Montreal, Canada and most recently, the J. Safra Group.

Source: : Websites for Allied Universal and G4S and news releases

G4S's History

G4S began as a "night watchmen" company in Copenhagen, Denmark in ***1901***. In ***1968*** it became a part of Group 4, a security company owned by the Philip-Sørensen group of companies. In ***2000***, Group 4 merged with Falck (Falcon) – a nationwide security company established in Denmark in 1930 - and rebranded as Group 4 Falck. In ***2002*** Group 4 Falck purchased the Wackenhut Corporation; then a $2.8 billion company headquartered in the U.S. and founded by George Wackenhut in 1954. In ***2004***, Group 4 Falck merged with Securicor, a very large security company headquartered in London, at which time it rebranded itself again as Group 4 Securicor. The combined revenues of the 2 companies at the time of the merger was approximately $5 billion. In***2006***, the new brand and logo, G4S, is rolled out worldwide. G4S went on to expand, domestically and in emerging markets organically and through select acquisitions while divesting non-core and underperforming operating businesses with revenues of approximately $2 billion. At the time of the sale to Allied Universal, G4S had revenues of approximately $9 billion.

Source: Websites for Allied Universal and G4S and news releases

OVERVIEW OF WORLD LEADERS

On April 6th, with all the approval hurdles finally cleared, Allied Universal bought G4S, putting an end to almost nine months of speculation over whether G4S would in fact be taken over and just who would be the successful suitor. The acquisition was historic: creating the largest security company in the world with sales over $18 billion coming from 90 countries making it almost twice as large as Securitas, its nearest competitor. Its 800,000 employees make Allied the 3rd largest employer in North America and the 7th largest employer in the world.

The Pandemic was One of the Largest Factors Contributing to the Buyout

It all started around June of 2020 when the ***share price of G4S was depressed by the global pandemic***; as were the prices of the stocks of most of the UK public companies. An October article in *The Financial Times* reported that "[UK equities] are now trading on the greatest discount to global equities for 50 years". ***This low share price made G4S a prime take-over target*** by a financial group or one of its competitors. Garda World, a $3 billion Montreal based international privately held security company, recognized this opportunity and made its first formal offer of $4.2 billion to G4S's Board of Directors in October. Although the offer was a 31% premium over G4S's depressed share price, the Board rejected the offer as being "highly opportunistic and significantly undervaluing the G4S business". Garda eventually increased its bid, but not enough to win the Board's approval; which instead supported an offer by Allied Universal at $5.3 billion (approximately $8.3 billion on an enterprise value basis) and over 11 times EBITDA.

The Acquisition Rationale

Initially, the G4S North America business (U.S., Canada and Mexico) will be run by the current Allied Universal structure in Santa Ana, California reporting to Steve Jones, Allied's CEO. The international businesses – all operations outside of North America – will be headquartered in London and will be led by Ashley Almanza, G4S's current CEO, for the first year of the transition and Tim Weller, G4S's CFO, will continue in his financial role for the International Business of the combined group for at least six months after closing.

Source: Websites for Allied Universal and G4S and news releases

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The Strength in Numbers

- Before the acquisition almost all of Allied's approximately $9 billion revenues came from customer locations in the United States. With offices now in 90 countries, Allied can service many of its international customers globally without having to sacrifice profits through outsourcing contract work in these areas.

- Almost 50% of G4S's revenue comes from some level of technology offerings enhanced over the past 10 years through large financial investments; whereas less than 5% of Allied's revenues are from this service. The legacy Allied customers can now be offered more advanced technology that carries higher profit margins than traditional manned guarding services; while at the same time enhancing the service delivery to the customer.

- With over 800,000 employees worldwide, Allied now has more bargaining power to negotiate better rates on health insurance, uniforms and, to a certain extent, workers compensation and liability insurances – even though Allied may be self-insured in some of these areas. In the U.S., where Allied is large and shares a footprint with G4S, it is estimated that $140 million of redundant cost will be eliminated through merging the two operations. The redundant cost eliminations for operations outside the U.S. become insignificant, since the legacy Allied company does not presently have operations in areas outside the U.S. (except a minimal amount in Canada, England and Mexico).

What the Purchase Means to Allied's Smaller Competitors

It's obvious that the creation of this mega company will be a game changer for the global security industry – especially its smaller competitors. Many of the competitors are already talking about the possibility of growing their company through the fall- out of some of Allied's and G4S's legacy customers that just don't want to be a part of such a large company where largeness usually means a diminishing of service levels. This will be true to a certain extent, but many of the owners we talked with reported losing customers to the larger Allied. And some reported having to reduce the billing rate to keep a current customer that Allied approached with a lesser cost structure. Allied, through the purchase of G4S, can now offer the service at lesser rates per hour since their service delivery cost is less, in most instances, or they are offering integrated guarding services to include technology, resulting in the larger Allied making more

Source: Websites for Allied Universal and G4S and News Releases

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money on a lesser bill rate than the smaller competitors in many cases. Some customers had rather sacrifice some personal attention (provided by the smaller competitor) in exchange for a break in the total cost for their security.

How much revenue will hit the streets? It will be a lot in the case of an $18 billion company. If Allied does everything right in transitioning the customers and employees and hits the industry average attrition rate of 8% - 10%, ***almost $1 billion of Allied's revenue will go away in the U.S. alone***. An additional $800 million - $1 billion of revenue will be leaving Allied in the foreign markets. AND adding to the challenge ahead for the Allied management; in total, Allied has to add about $3 billion of new revenue just to show a modest 5% growth – the estimated conservative growth for the industry. Some of this growth will come from existing customers increasing their security menu to include the additional services Allied is now able to offer. Some will come from Allied getting heavier in the municipal and governmental sector by replacing local police forces and other governmental employees. Some will come from in-house converting to outsourced security and, as mentioned above, some of the new revenue will be coming from Allied's smaller competitors that can't offer the menu of services Allied can now offer coming primarily from the G4S' technology divisions.

Allied's End Game

Allied's end game is to go public. G4S has already started the process of delisting its stock from the London exchange and, when completed, the new private company will save millions of dollars it cost G4S to adhere to the reporting requirements of a public company. Allied has already started positioning itself for a successful public offering. At $18 billion, it already has enough revenue. Now, it has to maintain a better than average growth trajectory - a daunting task, given it has to bring in new revenue, globally, of over $3 billion just to maintain a 5% net growth rate (assuming an industry average retention rate of 10%).

On March 24, 2021, Allied announced the newly hired Global CFO, Tim Brandt, who will focus on the integration of G4S, as well as get Allied prepared for the eventual Initial Public Offering. Tim comes to Allied with a vast amount of experience in mergers and acquisitions and IPO's in his 30 years spent with Deloitte where he was the managing partner in the Orange County, California office.

In addition to entering new markets and introducing new products, Allied intends to maintain its momentum of making acquisitions in select markets – especially in the systems integration side of the business. Also, to better position Allied for a successful transition of G4S and continuing its commitment to growth, especially now, in the foreign markets, Allied hired Mike Beregovsky as Chief Merger & Acquisition Officer and Co-Head of Strategy & Investor Relations. Mike, who comes from Warburg Pincus, one of

Source: Websites for Allied Universal and G4S and news releases

Allied's major shareholders, will also be leading Allied's global mergers and acquisition activities. Danette Perkins, previously VP of Acquisitions, was promoted to President of Mergers & Acquisitions for North America.

Allied Universal has a Large Financial Commitment from Its Investors - Having a lot of Experience in the Public Markets

As with all large acquisitions, most of the price being paid comes from debt instruments. In the case of this transaction, unverified sources have estimated that over $4 billion of the price is coming from borrowed money rather than outright cash from the equity group owners. This additional debt added to Allied's existing debt load makes Allied highly leveraged. But the two majority financial group owners are used to running leveraged companies and are no strangers to the public markets. Allied's private equity investors own collectively 90% of the company and include: Caisse de dépôt et placement du Québec, Warburg Pincus, Partners Group and J. Safra Group – collectively managing almost $500 billion (one half a trillion U.S. dollars) of investor funds. Additionally, Tim Geithner, the Treasury secretary under the Obama administration, is now the president of Warburg Pincus. He comes to the transaction with a vast amount of experience in advising companies with a high debt leverage with plans for a public offering.

Source: Websites for Allied Universal and G4S and News Releases

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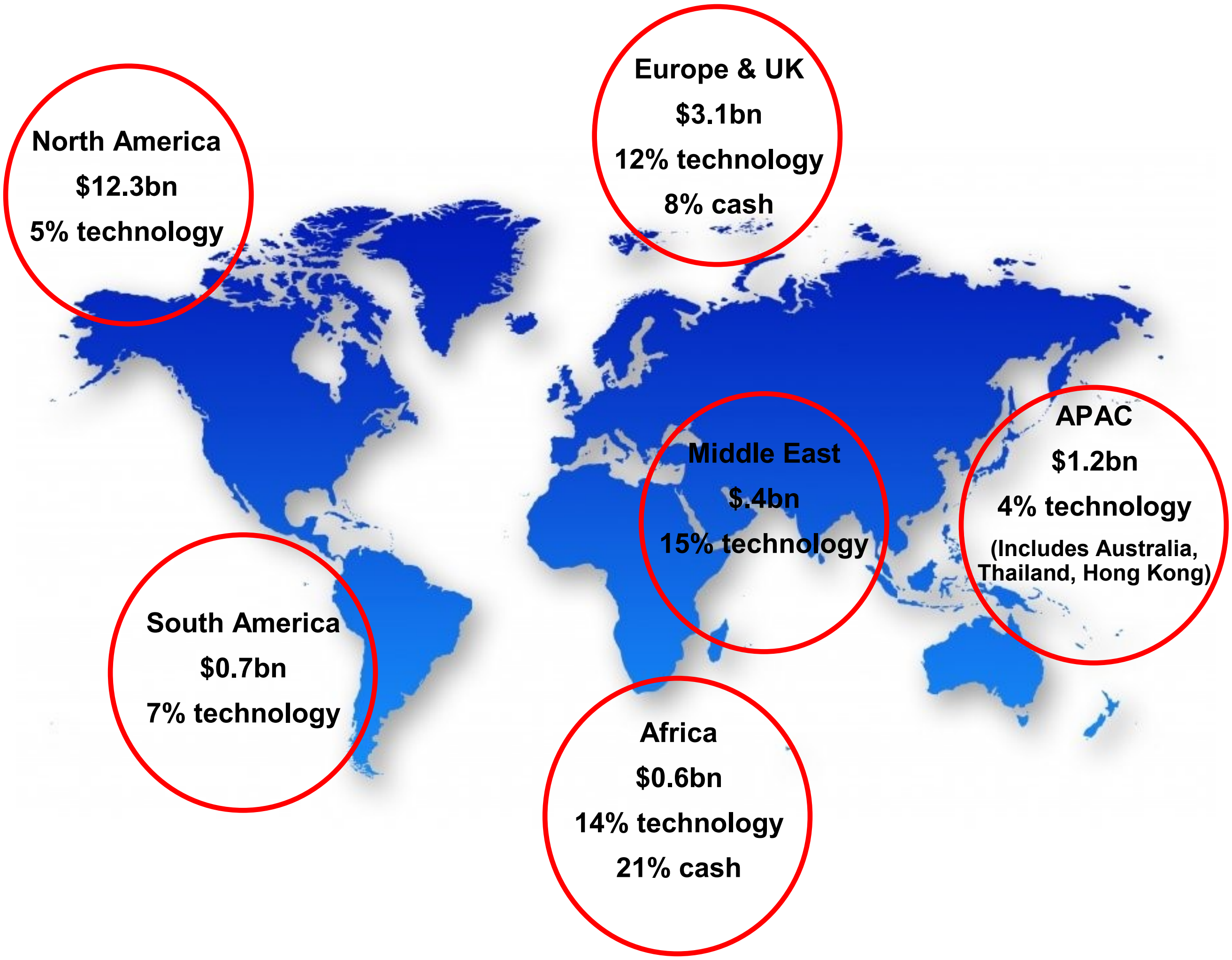
Allied Universal and G4S Combined Footprint



Source: Websites for Allied Universal and G4S and News Releases

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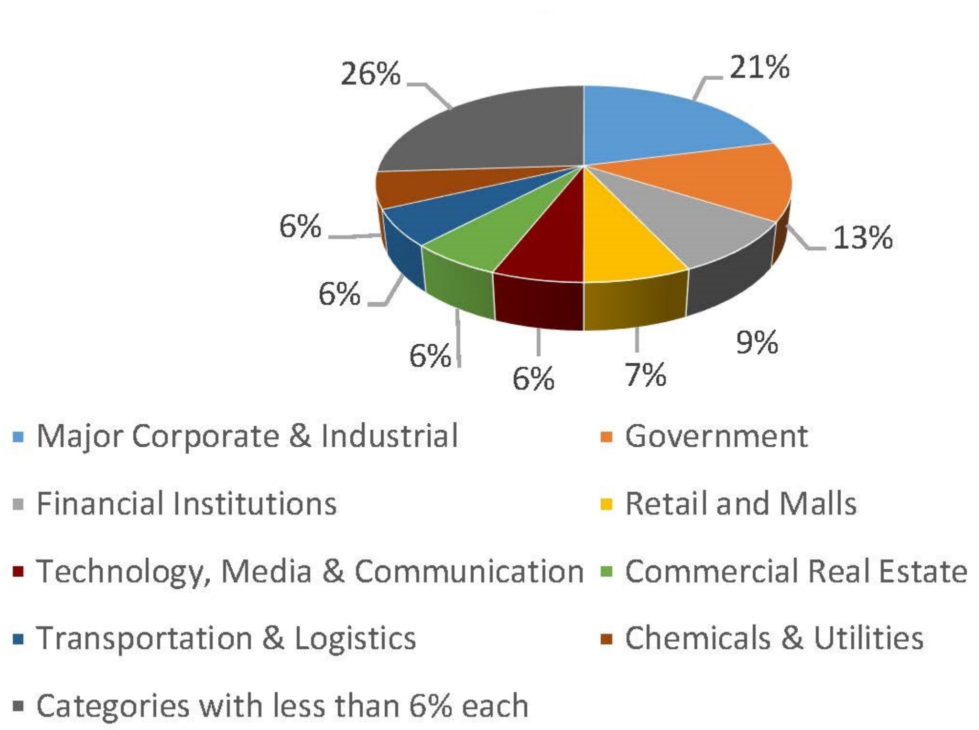
Revenue by Customer Types
(Combined Companies)



Source: Websites for Allied Universal and G4S and News Releases

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G4S

Financial Performance - Statutory Basis

		2020 £m		2019 £m	YoY %
Revenue	$9.0bn	6,960	$9.9bn	7,758	(10.3)
Adjusted profit before interest, tax and amortisation ("Adjusted PBITA")		**427**		501	(14.8)
Specific items (net)		**(53)**		(13)	
Serious Fraud Office Deferred Prosecution Agreement		**(52)**		–	
Bid defence		**(34)**		–	
Restructuring and separation costs		**(58)**		(57)	
Guaranteed minimum pension equalisation charge		**(2)**		–	
California class action settlement		**–**		18	
Gain/(loss) on disposal/closure of subsidiaries/businesses		**185**		(5)	
Loss on disposal of fixed assets		**(3)**		(2)	
Goodwill impairment		**(58)**		(291)	
Asset impairment		**(4)**		–	
Acquisition-related amortisation		**(3)**		(6)	
Operating profit		**345**		145	137.9
Net finance expense		**(100)**		(118)	
Profit before tax		**245**		27	807.4
Tax		**(84)**		(107)	
Profit/(loss) for the year		**161**		(80)	301.3
Non-controlling interests		**(8)**		(11)	
Profit/(loss) attributable to equity holders of the parent		**153**		(91)	268.1
Earnings/(loss) per share – Basic		**9.9p**		(5.9)p	267.8
Operating cash flow		**610**		504	21.0

Financial Performance - Underlying results and Alternative Performance Measures

Management consider the key performance indicators of the Group to be underlying revenue, adjusted PBITA, earnings per share and operating cash flow, explained and reconciled below.

		Revenue 2020 £m		Revenue 2019 £m	YoY %	Adjusted PBITA 2020 £m	Adjusted PBITA 2019 £m	YoY %
Africa		**390**		394	(1.0)	**29**	28	3.6
Americas	$3.4bn	**2,687**	$3.3bn	2,586	3.9	**176**	135	30.4
Asia		**867**		889	(2.5)	**86**	66	30.3
Europe & Middle East		**2,348**		2,453	(4.3)	**146**	175	(16.6)
Secure Solutions		**6,292**		6,322	(0.5)	**437**	404	8.2
Cash Solutions		**455**		539	(15.6)	**34**	55	(38.2)
Total before corporate costs		**6,747**		6,861	(1.7)	**471**	459	2.6
Corporate costs						**(60)**	(48)	25.0
Group underlying results[1]		**6,747**		6,861	(1.7)	**411**	411	–
Onerous contracts		**28**		86		**–**	–	
Disposed businesses		**185**		620		**16**	82	
Foreign exchange		**–**		191		**–**	8	
Statutory results		**6,960**		7,758	(10.3)	**427**	501	(14.8)

1 Group underlying results for 2019 are presented on a constant currency basis

- **Blue print is information inserted by Robert H. Perry & Associates**

See page 11 for foreign monetary conversion rates.
See Page 12 for "Important Note to Reader"
Source: G4S Annual Report and Accounts 2021

Securitas

Key Performance Indicators

Revenues in U.S. Dollars $11.9billion

107 954
Total sales, MSEK

4.5%
Operating margin

2.1
Net debt to EBITDA ratio

6.63
Earnings per share, SEK

4.00
Proposed dividend, SEK

355 000
Employees

47*
Number of countries with operations

153 000
Number of clients (excluding monitoring-only clients)

150
Number of global clients

91%
Client retention rate

Source: Securitas Annual and Sustainability Report 2021

OVERVIEW OF WORLD LEADERS

Securitas

Key Performance Indicators

Security Services Europe

Total sales MSEK 45 188
121 000 employees

Organic sales growth was -2 percent (2)

Security solutions and electronic security sales represented 24 percent (22) of total segment sales

The operating margin decreased to 4.6 percent (5.5)

The client retention rate was 90 percent (90)

Security Services North America

Total sales MSEK 47 801
123 000 employees

Organic sales growth was 2 percent (4)

Security solutions and electronic security sales represented 17 percent (18) of total segment sales

The operating margin decreased to 5.9 percent (6.2)

The client retention rate was 91 percent (90)

Security Services Ibero- America

Total sales MSEK 12 552
61 000 employees

Organic sales growth was 2 percent (14)

Security solutions and electronic security sales represented 30 percent (27) of total segment sales

The operating margin decreased to 4.5 percent (4.7)

The client retention rate was 93 percent (92)

AMEA

50 000 employees

Despite the extraordinary situation with the coronavirus pandemic, we grew and strengthened our position as the leading protective services provider in the AMEA region

Two strategic acquisitions in electronic security were completed in 2020, Fredon Security in Australia and Stanley Security in India and Singapore

Source: Securitas Annual and Sustainability Report 2021

OVERVIEW OF WORLD LEADERS

Securitas

Financial Summary - Around the World

Full Year 2020 Compared to 2019

Fourth Quarter 2020 Compared to 2019

	$2.9 bn	$3.0 bn			$11.9 bn	$11.7 bn		
	Q4		Change, %		Full year		Change, %	
MSEK	2020	2019	Total	Real	2020	2019	Total	Real
Sales	**26 477**	**28 257**	**-6**	**3**	**107 954**	**110 899**	**-3**	**1**
Organic sales growth, %	*1*	*2*			*0*	*4*		
Operating income before amortization	**1 404**	**1 497**	**-6**	**4**	**4 892**	**5 738**	**-15**	**-10**
Operating margin, %	5.3	5.3			4.5	5.2		
Amortization of acquisition related intangible assets	-79	-68			-286	-271		
Acquisition related costs	-47	-28			-137	-62		
Items affecting comparability*	-422	-83			-640	-209		
Operating income after amortization	**856**	**1 318**	**-35**	**-25**	**3 829**	**5 196**	**-26**	**-22**
Financial income and expenses	-118	-140			-500	-578		
Income before taxes	**738**	**1 178**	**-37**	**-31**	**3 329**	**4 618**	**-28**	**-23**
Net income for the period	**524**	**872**	**-40**	**-33**	**2 416**	**3 362**	**-28**	**-24**
Earnings per share, SEK	1.45	2.38	-39	-33	6.63	9.20	-28	-23
EPS before items affecting comparability, SEK	2.38	2.54	-6	1	8.02	9.61	-17	-12
Cash flow from operating activities, %	*109*	*124*			*147*	*85*		
Free cash flow	1 420	1 428			5 944	3 268		
Net debt to EBITDA ratio	–	–			*2.1*	*2.2*		

	Organic sales growth				Operating margin			
	Q4		Full year		Q4		Full year	
%	2020	2019	2020	2019	2020	2019	2020	2019
Security Services North America	4	2	2	4	6.4	6.1	5.9	6.2
Security Services Europe	-1	1	-2	2	6.0	6.1	4.6	5.5
Security Services Ibero-America	-1	10	2	14	5.3	4.8	4.5	4.7
Group	**1**	**2**	**0**	**4**	**5.3**	**5.3**	**4.5**	**5.2**

- **MSEK to U.S. Dollar Conversion Ratios**

  Year 2020 - Average Rate - 9.16 SEK to $1

  Year 2019 - Average Rate - 9.47 SEK to $1

- **Blue print is information inserted by Robert H. Perry & Associates**

See page 11 for foreign monetary conversion rates.
See Page 12 for “Important Note to Reader”
Source: G4S Annual Report and Accounts 2020

Securitas

Financial Performance Explained Around the World

Full Year 2020 Compared to 2019

Full Year - 2020 vs. (2019)

- Organic Sales were flat in 2020 (4%).
- All business segments were negatively impacted by the corona pandemic, but to some extent offset by increased extra sales, which amounted to 16 percent (14) of total sales.
- Real sales growth, including acquisitions and adjusted for changes in exchange rates, was 1 percent (6).
- Sales of security solutions and electronic security sales amounted to MSEK 23 478 (23 290) or 22 percent (21) of total sales for the full year. Real sales growth, including acquisitions and adjusted for changes in exchange rates, was 5 percent (10).
- Operating income before amortization was MSEK 4 892 (5 738) which, when adjusted for changes in exchange rates, represented a real change of -10 percent (3). The operating income was supported by corona-related government grants and support measures of MSEK 780 in 2020, mostly within Security Services Europe.
- The Group’s operating margin was 4.5 percent (5.2). While the corona pandemic impacted all business segments to varying degrees, the main negative impact occurred in Security Services Europe.

See Page 12 for “Important Note to Reader”
Source: Securitas Full Year Report 2020

Securitas

Financial Performance Explained Around the World

Fourth Quarter 2020 Compared to 2019

Fourth Quarter - 2020 vs. (2019)

- The 1 percent reduction in organic sales is due to the negative impacts of the corona pandemic through reduced service levels, mainly in the aviation segment, and lower installation sales. Increased extra sales which amounted to 17 percent (14) of total sales offset most of this decline. Security Services North America delivered organic sales growth of 4 percent (2) with positive impacts from the Guarding and Critical Infrastructure Services business units.

- Real sales growth, including acquisitions and adjusted for changes in exchange rates was 3 percent (3).

- Sales of security solutions and electronic security sales amounted to MSEK 5 883 (6 145) or 22 percent (22) of total sales for the fourth quarter. Real sales growth, including acquisitions and adjusted for changes in exchange rates, was 4 percent (7).

- Operating income before amortization was MSEK 1 404 (1 497) which, when adjusted for changes in exchange rates, represented a real change of 4 percent (-2). The operating income was supported by corona-related government grants and support measures of MSEK 230 in the quarter.

- The Group's operating margin was 5.3 percent (5.3). Security Services North America and Security Services Ibero-America contributed to the operating margin, while Security Services Europe and the other segments hampered the development.

See page 12 for "Important Note to Reader"
Source: Securitas Annual and Sustainability Report 2020

Securitas

Financial Summary - North America

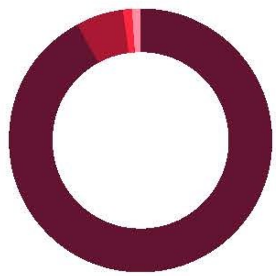
Full Years 2020 Compared to 2019

Fourth Quarter 2020 Compared to 2019

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.

	$1.3 bn	$1.3 bn			$5.2 bn	$5.1 bn		
	Q4		Change, %		Full year		Change, %	
MSEK	2020	2019	Total	Real	2020	2019	Total	Real
Total sales	**11 568**	**12 389**	**-7**	**5**	**47 801**	**48 499**	**-1**	**2**
Organic sales growth, %	4	2			2	4		
Share of Group sales, %	44	44			44	44		
Operating income before amortization	**740**	**752**	**-2**	**12**	**2 800**	**3 003**	**-7**	**-2**
Operating margin, %	6.4	6.1			5.9	6.2		
Share of Group operating income, %	53	50			57	52		

Share of segment sales



- **Blue print is information inserted by Robert H. Perry & Associates**

See page 11 for foreign monetary conversion rates.
See Page 12 for “Important Note to Reader”
Source: Securitas Full Year Report 2020, and Annual and Sustainability Report 2020

Securitas

Financial Performance Explained - North America

Full Year 2020 Compared to 2019

Full Year - 2020 vs. (2019)

Organic Sales growth was 2 percent (4). The negative impacts of the corona pandemic on a full-year basis were primarily seen in the Electronic Security and Critical Infrastructure Services business units. Organic sales growth in Guarding was on par with the preceding year, since the business unit was able to compensate temporarily reduced portfolio sales with increased extra sale, both corona-related. The client retention rate was 91 percent (90), excluding the effect of corona-related temporary reductions.

Security solutions and electronic security sales represented MSEK 8 365 (8 885) or 17 percent (18) of total sales in the business segment in 2020

The operating margin was 5.9 percent (6.2), a decline primarily related to the effects of the corona pandemic with enhanced levels of provisioning to reflect the increased risk in the business environment. The sales decline in the Electronic Security and Critical Infrastructure Services business units also hampered the operating margin, while Guarding was supported as a result of the corona-related change in the business mix with an increased share of extra sales.

The Swedish krona exchange rate strengthened against the U.S. dollar, which had a negative effect on operating income in Swedish kronor. The real change was -2 percent (8) in 2020.

See Page 12 for “Important Note to Reader”
Source: Securitas Full Year Report 2020

Securitas

Financial Performance Explained - North America

Fourth Quarter 2020 Compared to 2019

Fourth Quarter - 2020 vs. (2019)

Organic Sales growth was 4 percent (2). The improvement in organic sales growth was primarily related to the Guarding and Critical Infrastructure Services business units. The business unit Guarding was able to compensate temporarily reduced portfolio sales with increased extra sales, both corona-related. Sales in Critical Infrastructure Services also benefited from corona-related extra sales in the fourth quarter, which included some retroactive billing. Pinkerton Corporate Risk management contributed to the improvement, while Electronic Security was hampered by the installation business. Extra sales in the business segment amounted to 19 percent (13) of total sales.

Security solutions and electronic security sales represented MSEK 1 948 (2 319) or 17 percent (19) of total sales in the business segment in the fourth quarter.

The operating margin was 6.4 percent (6.1). The improvement related primarily to the Guarding and Critical Infrastructure Services business units. The operating margin in Guarding continued to be supported by the corona-related change in the business mix with an increased share of extra sales. The operating margin Critical Infrastructure Services was positively impacted by corona-related extra sales referred to above. Pinkerton Corporate Risk management also contributed to the improvement, as did continued cost saving measures. The operating income was hampered by the increased levels of provisioning to reflect the increased risk in the business environment, relating primarily to outstanding accounts receivable.

The Swedish krona exchange rate strengthened against the U.S. dollar, which had a negative effect on operating income in Swedish kronor. The real change was 12 percent (0) in the fourth quarter.

See Page 12 for “Important Note to Reader”
Source: Securitas Annual and Sustainability Report 2020

Securitas

Revenue Performance by Service Offering
North America
Full Year 2020 Compared to 2019

Security Services

	North America		Securitas Group	
MSEK	2020	2019	2020	2019
Guarding services	36 798	36 892	81 838	84 887
Security solutions and electronic security	8 365	8 885	23 478	23 290
Other	2 638	2 722	2 638	2 722
Total sales	**47 801**	**48 499**	**107 954**	**110 899**
Other operating income			39	34
Total revenue	**47 801**	**48 499**	**107 993**	**110 993**
	$5.2 bn	**$5.1 bn**		
Security solutions and Electronic Security as a % of Total revenue	17.5%	18.3%	21.7%	21.0%

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See page 11 for foreign monetary conversion rates.
See Page 12 for “Important Note to Reader”
Source: Securitas Full Year Report 2020

Securitas

Financial Performance H1 and Q2

North America

2021 Compared to 2020

MSEK	Q2 2021 ($1.3 bn)	Q2 2020	Change, % Total	Change, % Real	H1 2021 ($2.5 bn)	H1 2020	Change, % Total	Change, % Real	Full year 2020
Total sales	**11 483**	**11 980**	**–4**	**8**	**22 857**	**24 627**	**–7**	**6**	**47 801**
Organic sales growth, %	*8*	*–2*			*5*	*0*			*2*
Share of Group sales, %	*43*	*45*			*44*	*45*			*44*
Operating income before amortization	**819**	**666**	**23**	**37**	**1 494**	**1 318**	**13**	**28**	**2 800**
Operating margin, %	*7.1*	*5.6*			*6.5*	*5.4*			*5.9*
Share of Group operating income, %	*56*	*62*			*55*	*61*			*57*

January - June 2021

Organic sales growth was 5 percent (0), supported by all business units. The first half last year was negatively impacted by the corona pandemic, primarily in the business units Electronic Security and Critical Infrastructure Services. The level of corona-related extra sales within Guarding supported organic sales growth in the first half year and Pinkerton had a strong development across the business. The client retention rate was 90 percent (92), excluding the effect of corona-related temporary reductions.

Security solutions and electronic security sales represented MSEK 4 029 (4 339) or 18 percent (18) of total sales in the business segment in the first half year.

The operation margin was 6.5 percent (5.4), an improvement driven by all business units. The first half year last year was hampered by the corona pandemic, including an increased level of provisioning. The operating margin in Guarding was strong. Electronic Security improved compared to the first half last year helped by the recovery of the installation business, and the acquisition of FE Moran Security Solutions. Critical Infrastructure Services also improved as corona-related restrictions and lock-downs have eased. The strong performance in Pinkerton was primarily driven from leverage from the sales growth.

The Swedish krona exchange rate strengthened against the U.S. dollar, which had a negative effect on operating income in Swedish kronor. The real change was 28 percent (-9) in the first half year.

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See Page 12 for “Important Note to Reader

Source: Securitas Interim report Jan-June 2021

OVERVIEW OF WORLD LEADERS

PROSEGUR

Key Performance Indicators

Revenues in U.S. Dollars: $4.1 billion

Prosegur: Safety in numbers

Countries	Employees
26	+160,000
2020 Sales	2020 Net profit
3,463 M€	69 M€

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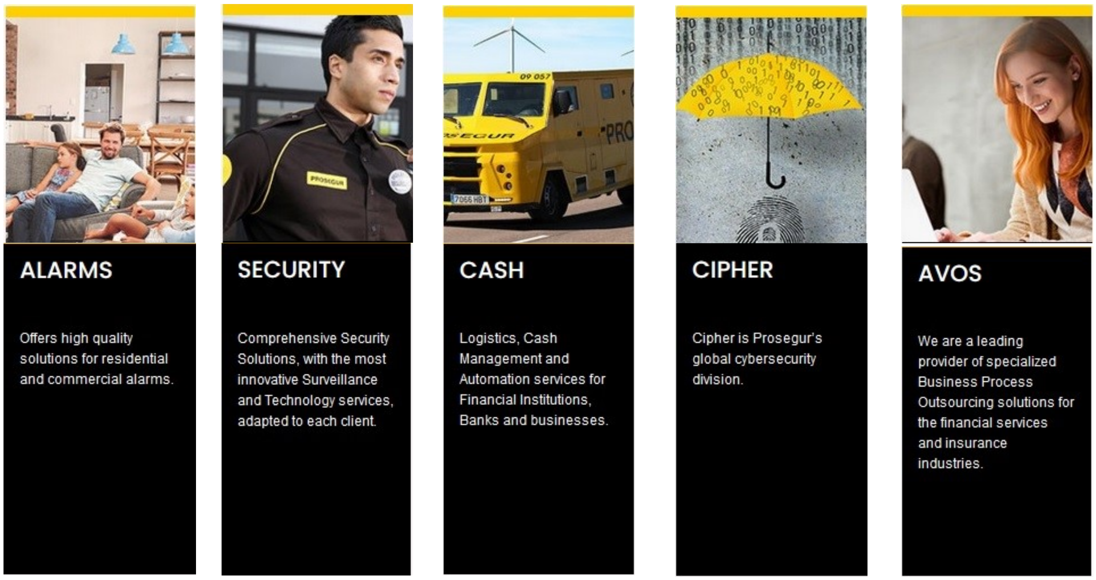
See page 11 for foreign monetary conversion rates.
See Page 12 for “Important Note to Reader

Source: Prosegur.com

OVERVIEW OF WORLD LEADERS

PROSEGUR

Prosegur's Business Lines



See Page 12 for "Important Note to Reader
Source: Prosegur.com - Business Lines Page

OVERVIEW OF WORLD LEADERS

PROSEGUR

Prosegur's Footprint and Revenue Growth Around the World

Footprint and Financial Performance

in million Euros		2020	2019	(Decrease)
Europe		1,551 €	1,770 €	-12.4%
Latin America		1,686 €	2,087 €	-19.2%
Rest of the World		333 €	341 €	-2.3%
Total	$4.1 bn	**3,570 €**	**4,198 €**	**-15.0%**

Sales Decrease Analyzed:

Real decrease in sales	.4%
Decrease due to divestitures	1.7%
Application of IAS 29 and 21.42	2.8%
Exchange rate effect	10.1%
Total sales decrease	15.0%

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See page 11 for foreign monetary conversion rates.
See Page 12 for "Important Note to Reader

Source: Prosegur's 2020 Consolidated Annual Accounts

OVERVIEW OF WORLD LEADERS

PROSEGUR

Financial Results - 2020 Compared to 2019 Around the World

(Millions of Euros)			2020	2019	Variation
Sales		$4.1 bn	3,570.4	4,198.2	(15.0 %)
EBITDA			**821.7**	**536.4**	**53.2 %**
	Margin		*23.0 %*	*12.8 %*	
Depreciation and amortisation*			(158.0)	(178.2)	
EBITA			**663.7**	**358.2**	**85.3 %**
	Margin		*18.6 %*	*8.5 %*	
Amortisation and impairment of intangible assets			(52.5)	(27.7)	
Goodwill impairment			(61.8)	—	
EBIT			**549.4**	**330.5**	**66.3 %**
	Margin		*15.4 %*	*7.9 %*	
Financial results			(65.7)	(65.6)	
Profit/(loss) before tax			**483.7**	**264.9**	**82.6 %**
	Margin		*13.5 %*	*6.3 %*	
Taxes			(148.9)	(104.6)	
	Tax rate		*(30.8) %*	*(39.5) %*	
Net result			**334.9**	**160.2**	**109.0 %**
Non-controlling interests			3.6	46.4	
Consolidated net profit/(loss)			**331.3**	**113.9**	**190.9 %**

Note:

Prosegur's total sales - Around The World - for 2020 converts to $4.1 billion. The U.S. portion is approximately $300M

(1) See page 35 for sales decreases analyzed

•Blue print is information inserted by Robert H. Perry & Associates

See page 11 for foreign monetary conversion rates.
See Page 12 for "Important Note to Reader

Source: Prosegur's 2020 Director's Report

OVERVIEW OF WORLD LEADERS

PROSEGUR

Sales Performance by Business Line
2020 Compared to 2019 Around the World

Millions of Euros		2020	2019	Variation
Security		1,743.5	2,107.7	-17.3 %
	Total %	*48.8 %*	*50.2 %*	
Cash		1,507.5	1,798.7	-16.2 %
	Total %	*42.2 %*	*42.8 %*	
Alarms		195.7	278.1	-29.6 %
	Total %	*5.5 %*	*6.6 %*	
(1) PGA and unassigned		123.7	13.8	100.0 %
	Total %	*3.5 %*	*0.3%*	
	$4.1 bn	**3,570.4**	**4,198.2**	**-15.0 %**

The decrease in business turnover in 2020 compared to 2019 has been of 15.0% (see page 35 for sales decrease analyzed).

The Security business, that includes Surveillance and Technology activities, reduced its sales figure by 17.3%, mainly as a result of the inorganic growth carried out as a result of the health crisis caused by COVID-19 and by the exchange rate effect.

These two effects have also caused a fall in sales of the Cash business by 16.20% and Alarms by 29.60%. In the case of Cash, in addition, sales also fell as a result of the sale of the business in France and Mexico. For its part, the Alarms business also saw its turnover reduced, mainly as a result of the sale of 50% of the Alarms business in Spain.

(1) PGA is “Prosegur Asset Management” and includes the cybersecurity business line and AVOS (Added-Value Outsourcing Services).

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See page 11 for foreign monetary conversion rates.
See Page 12 for “Important Note to Reader
Source: Prosegur’s 2020 Director’s Report

OVERVIEW OF WORLD LEADERS

PROSEGUR

Managements' Analysis of 2020 Results (Taken verbatim from the 2020 Annual Report)

2020 was a year marked by the social, economic and health effects of the pandemic caused by COVID-19. From its start, and in anticipation of a much more intense duration and force than what the first estimates indicated, Prosegur activated a series of measures based on three fundamental axes: protecting and guaranteeing employee health, ensuring the continuity of the clients' economic activity within the maximum health and safety parameters and, lastly, ensuring liquidity and capacity to generate cash.

In this sense, and in record time, the company deployed a series of measures to ensure the well- being and protection of employees. Fundamentally, of particular note is the promotion of telework in all positions where it is viable and the deployment of the communication and security infrastructure necessary for employees to carry out their work with the best possible guarantees.

Likewise, the company adopted the necessary health and safety measures to prepare the work centres and protect employees whose activities could not be carried out remotely. Of special note is the deployment of a digital passport that allows employees to manage access to the facilities from their mobile phone and that establishes mechanisms and protocols for monitoring positive cases.

These measures, along with others such as the use of technology for temperature measurement, verification of the use of masks or control of social distancing, were also introduced in the premises of the company's clients in order to guarantee the safety of their own employees and workspaces.

Finally, in the financial and operational sphere, Prosegur activated receipt management and working capital protection protocols. The company undertook workforce adjustments in line with the decline in demand as a result of the measures taken to contain the pandemic. These actions, together with financial policies of cash repatriation, offer to pay dividend in shares and reduction of non-strategic investments, ensured the company excellent cash generation during the period and a liquidity profile that guarantees the financial stability of the group for the years to come.

In any case, the consequences of the health crisis have affected each of the business lines with varying degrees of intensity. Despite having demonstrated a remarkable degree of resistance and adaptability, it has not been enough to counteract the fall in volume due to the temporary closures and business interruptions of the vast majority of clients.

Prosegur Cash, despite offering an essential service, has been affected by the impact of the health crisis and the subsequent containment measures introduced by governments to combat it, which resulted in a fall in activity and a reduction in the volumes operated.

The high penetration of cash payments in emerging countries, the lower incidence during the first phase of the pandemic and the development of extraordinary services allowed this negative effect to be mitigated.

See Page 12 for "Important Note to Reader
Source: Prosegur's 2020 Director's Report

OVERVIEW OF WORLD LEADERS

PROSEGUR

Managements' Analysis of 2020 Results (Taken verbatim from the 2020 Annual Report)

For its part, Prosegur Security has also suffered the effects of the pandemic with a decrease in activity, but more attenuated due to the specific needs of client services and the maintenance of certain levels of security.

Prosegur Security's dependence on the airport sector in the United States and the total suppression of large events, combined with the general decline in economic activity in almost all countries, caused Prosegur Security's billing in the period to turn negative. Together with the deconsolidation due to the sale of the business in France and the negative effect of currencies in Latin America, the business unit totals a volume loss in 2020 of more than 17%.

In compensation, the high demand for more specialised services to guarantee secure access to client facilities, and their combination with high added value technological elements gave a strong push to the market penetration of new solutions, which already represent more than 36% of turnover. The health crisis has been a boost for this type of product due to the speed of its implementation, the economic efficiency and the versatility of the service to be able to control elements such as workers' temperature in real time, the use of sanitary masks or the adherence to recommended social distancing guidelines.

This allowed a structural improvement in Prosegur Security's profitability margins, which in 2020 closed with an increase of 500 basis points over the previous year.

Lastly, Prosegur Alarms also suffered a negative impact due to the fall in the number of additions due to the home confinements decreed in most regions. These measures prevented the normal commercial operation and installation of new connections. To this situation, an increase in the churn rate of small business clients is added.

Despite this, the total contract base of Prosegur Alarms added more than 26,000 new connections, supported by the strong growth experienced in Spain by the Movistar Prosegur Alarmas joint venture. The company, created jointly by Telefónica and Prosegur, began its operations in early 2020 to jointly target the Spanish residential market.

In short, no structural deterioration in the demand and potential of the alarms market due to the pandemic has been observed, except for the specific situation of access to the homes of new clients during the periods of lockdown. Prosegur remains confident that the alarm business will be one of the fastest growing in the coming years.

It is worth highlighting the performance of the group's financial indicators, due to the good results of the cash generation and debt containment carried out during the year. Thanks to the efficiencies obtained by digital transformation projects in the client management and receipts processes, Prosegur has improved its procedures for receipts and credit calculation. This has allowed the company to achieve a significant improvement in working

See Page 12 for "Important Note to Reader

Source: Prosegur's 2020 Director's Report

OVERVIEW OF WORLD LEADERS

PROSEGUR

Managements' Analysis of 2020 Results (Taken verbatim from the 2020 Annual Report)

Furthermore, Prosegur placed an extraordinary focus on the containment of internal spending and the control of non-strategic investments, which has resulted in a more than 30% reduction in the group's Capex.

Additionally, and as a cash outflow containment measure, the company offered shareholders the possibility of receiving a part of the company's annual dividend in shares. This initiative was accepted by more than 50% of the group's shareholders and resulted in cash savings of more than EUR 36 million.

Lastly, Prosegur's rigorous financial discipline and its excellent management of currency risk and repatriation of profits has kept corporate debt below the agreed banking limits. And also within the limits self-imposed by the company's Board of Directors.

See Page 12 for "Important Note to Reader
Source: Prosegur's 2020 Director's Report

PROSEGUR

Financial Performance
6 Months 2021 and 6 Months 2020
Around the World

Consolidated Results (€ millions)		6M 2020	6M 2021	% Variation
Sales		**1,775**	$1.9 Bn **1,637**	-7.8%
EBITDA		**184**	**171**	-6.9%
	Margin	*10.4%*	*10.5%*	
Depreciation		(78)	(79)	
EBITA		**106**	**93**	-12.4%
	Margin	*6.0%*	*5.7%*	
Amortization of intangibles and impairments		(14)	(14)	
EBIT		91	78	-14.4%
	Margin	*5.2%*	*4.8%*	
Financial result		(33)	(4)	
Profit before tax		58	75	+28.0%
	Margin	*3.3%*	*4.5%*	
Tax		(30)	(46)	
	Tax rate	*51.5%*	*61.5%*	
Net Profit		28	29	+1.6%
Minority Interest		6	2	
Consolidated Net Profit		**23**	26	+16.3%

Prosegur had a decline in revenues (6 months 2021 vs. 6 months 2020) of 7.8% detailed as follows:

Organic Growth	2.9%
Divestiture Revenue	-.4%
Exchange Rate Fluctuation	-10.3%
NET CHANGE (Decrease)	**-7.8%**

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See page 11 for foreign monetary conversion rates.
See Page 12 for "Important Note to Reader

Source: Prosegur's 2020 Director's Report

OVERVIEW OF WORLD LEADERS

GARDAWORLD

Key Performance Indicators
(Information as of 01/31/2021)

Total Sales

US$2.8 billion
3,746 (in CN$1000)

Main Business Lines

Cash Services	**26%**
Protective Services	**74%**

Employees

102,000

Operations

North America, Europe, Middle East, Africa

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See page 11 for foreign monetary conversion rates.
See Page 12 for “Important Note to Reader
GardaWorld is a privately-held company owned in the majority by a Private Equity Group
Source: GardaWorld Year-end Reports - January 31, 2021

GARDAWORLD

Lines of Service and Area Revenues

Fiscal Years January 31, 2021 Compared to January 31, 2020

REVENUES - FISCAL YEARS (January 31)

		2021		2020	Change
in million CN$					
Protective Services					
North America	$	1,879	$	1,1605	17.1%
International		885		896	-1.0%
Total Protective Services		**2,764**		**2,501**	10.5%
Cash Services - North America		982		1,024	-4.1%
Total Revenue	**$**	**3,746**	**$**	**3,525**	6.3%
		$2.8 bn			

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See page 11 for foreign monetary conversion rates.
See Page 12 for “Important Note to Reader

GardaWorld is a privately-held company owned in the majority by a Private Equity Group
Source: GardaWorld Year-end Reports - January 31, 2021

OVERVIEW OF WORLD LEADERS

GARDAWORLD

Revenues by Area
Fiscal Years January 31, 2021 Compared to January 31, 2020

REVENUES - FISCAL YEARS (January 31)

	2021	2020	Change
in million CN$			
Canada	$ 1,345,385	$ 1,322,982	1.7%
U.S.A.	1,557,975	1,305,828	19.3%
Afghanistan	442,938	473,825	-6.6%
Iraq	156,846	185,985	-15.7%
East Africa	197,224	205,946	-4.2%
Others	45,296	30,192	50.0%
	$ 3,745,664	$ 3,524,758	6.3%
	$2.8 bn		

●Blue print is information inserted by Robert H. Perry & Associates

See page 11 for foreign monetary conversion rates.
See Page 12 for “Important Note to Reader

GardaWorld is a privately-held company owned in the majority by a Private Equity Group

Source: GardaWorld Year-end Reports - January 31, 2021

OVERVIEW OF WORLD LEADERS

GARDAWORLD

Financial Performance Explained

Fiscal Year Ended January 31, 2021

(amounts in CN$, except where noted)

All Services

Revenues for the fiscal year ended January 31, 2021 were $3,745.7 million, compared with $3,524.8 million last year, an increase of $220.9 million or 6.3%. Revenues from organic growth increased by $6.5 million or 0.2% and revenues from business acquisitions increased by 204.4 million or 5.8% explained mainly by the Whelan Group, the Ultimate Group, WorldAware, Pacific Protection Services, Drum Cussac, Critical Intervention Services and CPS Security Solutions acquisitions. The impact of foreign exchange has increased the revenues by $10.0 million.

Protective Services' revenues increased by 10.5% while Cash Services' revenues decreased by 4.1%.

Protective Services

Revenues for the fiscal year ended January 31, 2021 were $2,763.6 million, compared with $2,501.2 million last year, an increase of $262.4 million or 10.5%. Revenues from business acquisitions increased by $204.4 million or 8.2% and existing business increased by $47.7 or 1.9%. The U.S. dollar variation has increased the revenues by $10.3 million.

Protective Services' revenues in North America were $1,878.9 million, compared with $1,605.2 million last year, an increase of 273.7 million or 17.0%. Revenues from business acquisitions increased by $139.8 million or 8.7% and existing business increased by $112.4 million or 7.0% mainly attributable to additional services provided to clients related to COVID-19 situation.

Revenues from Middle East & Africa for the fiscal year ended January 31, 2021 were $884.7 million compared with 896.3 million last year, a decrease of $11.3 million or 1.3%. Revenues from business acquisitions increased by $64.6 million or 7.2% while existing business decreased by $64.7 million or 7.2% of which $11.1 million attributable to timing of training revenues and last year termination of one specific contract for the remaining variation. The U.S. dollar variation has decreased the revenues by $11.2 million.

Cash Services

Revenues for the fiscal year ended January 31, 2021 were $982.1 million, compared with $1,023.6 million last year, a decrease of $41.5 million or 4.1%. Revenues from existing business decreased by $41.2 million or 4.0% mainly attributable to services reduction by clients affected by temporary close of their operations due to COVID-19. The U.S. dollar variation has decreased revenues by $0.3 million.

Cash Services' revenues in Canada for the fiscal year ended January 31, 2021 were $228.2 million last year, a decrease of $23.4 million or 9.3%. Cash Services' revenues in the United States were $753.9 million for the fiscal year ended January 31, 2021 compared with $772.0 million last year, a decrease of $18.1 million or 2.3%.

See Page 12 for "Important Note to Reader

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Source: GardaWorld Year-end Reports - January 31, 2021

OVERVIEW OF WORLD LEADERS

GARDAWORLD

Select Verbatim Excerpts from Management's Discussion and Analysis (MDA) for Year-End January 31, 2021

(amounts in CN$, except where noted)

GARDAWORLD'S OVERALL PERFORMANCE

"The US exchange rate closed the year at 1.28 compared with 1.32 at the end of January 2020. The average rate of US exchange during the year was 1.34 compared with 1.32 during last year."

"All our operations were involved in transformational activities in the last three years. We are now focused on developing our newly integrated platforms with business development and operational efficiency initiatives to bring those platforms to the next level."

PROTECTIVE SERVICES

North America

"GardaWorld Protective Services is Canada's leading security provider, safeguarding people and assets in more than 49 branches across the country for over 4,000 clients in various sectors such as natural resources, property management, health care, governments, retail, special events and transportation. The Corporation also provides airport pre-board security screening at 27 airports across Canada including Toronto, Calgary, Ottawa and Edmonton. Its flexible workforce, comprised of more than 28,000 highly-trained security professionals, provides licensed security guards, mobile patrols, alarm response units, labor disputes, security crisis management, special events security management as well as consulting and investigations services. Three national command centers operate 24 hours a day, seven days a week, to efficiently mitigate challenges and threats. The ISO 9001 certification sets the company apart as it is the one of only two private security providers with nationwide certification."

"In April 2019, GardaWorld acquired Whelan Group, a leading family-owned, US-based company that provides private security services across many diverse industries and vertical markets. Whelan also offers uniformed security and staffing services for major events under the WESS brand, as well as emergency response services with 20,000 employees across 42 states. In July 2019, GardaWorld acquired CPS Security Solutions Inc. (CPS), a leading US-based company with 2,000 employees across 4 states that provides security, trailers, CCTVs, mobile surveillance units , and monitoring services."

Middle East & Africa

"Organizations are increasingly expanding outside their core markets to stimulate growth. GardaWorld International Protective Services works in complex, high threat and emerging markets, providing risk mitigation services when and where they are needed most. Its international security and risk tam of professionals delivers flexible, discreet, avoidance-based security and protective services to secure people, assets and reputation, and gives its clients the confidence to grow their business. GardaWorld employs more than 37,000 staff in the emerging markets to provide protection, training and crisis response. The Corporation is fully licensed and compliant with local regulatory standards in all countries in which it operates."

See Page 12 for "Important Note to Reader
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Source: GardaWorld Year-end Reports - January 31, 2021

OVERVIEW OF WORLD LEADERS

GARDAWORLD

Select Verbatim Excerpts from Management's Discussion and Analysis (MDA) for Year-End January 31, 2021

(amounts in CN$, except where noted)

PROTECTIVE SERVICES (Continued)

Middle East & Africa (Continued)

"As a founding signatory of the International Code of Conduct for Private Security providers the company is trusted by its clients in the diplomatic, development, defense, oil & gas and critical infrastructure sectors as a transparent and responsible partner. GardaWorld is additionally certified to ANSI/ ASIS PSC. 1-2012, ISO 9001, 14001, 18788, 22301 and BS OHSAS 18001. The majority of the services that are delivered by GardaWorld in the world are covered by these certifications. It is the only private security company in the world certified to this level of compliance."

CASH SERVICES

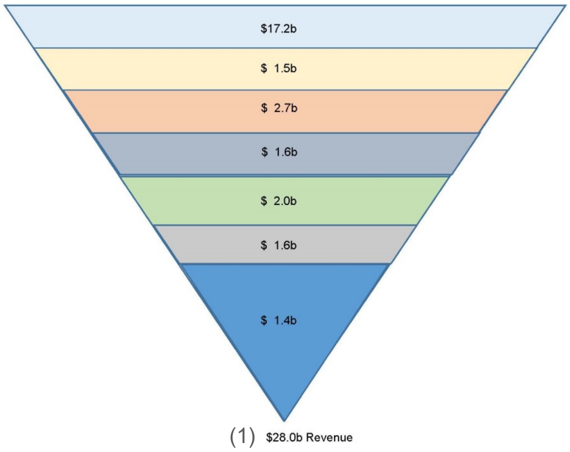
"GardaWorld is a leading Cash Services provider in North America. Its platform is comprised of more than 210 locations, more than 2,800 vehicles owned or leased and 146 cargo aircraft serving more than 11,000 customers, none of which represents more than 10% of revenues. The company's clients include major banks and financial institutions, retailers, restaurants, and government agencies. Processing the approximately $4.2 billion daily and performing approximately 100,000 secure pickups a day, Garda World's expertise adds value to its client's risk mitigation and helps improve their productivity, processes and systems. The Corporation is the only non-bank Cash Services Company with Tier 1 Bank processing capabilities and industry's exclusive large capacity ultra-high speed image processing platform."

See Page 12 for "Important Note to Reader
GardaWorld is a privately-held company owned in the majority by a Private Equity Group
Source: GardaWorld Year-end Reports - January 31, 2021

SIZE OF THE MARKET

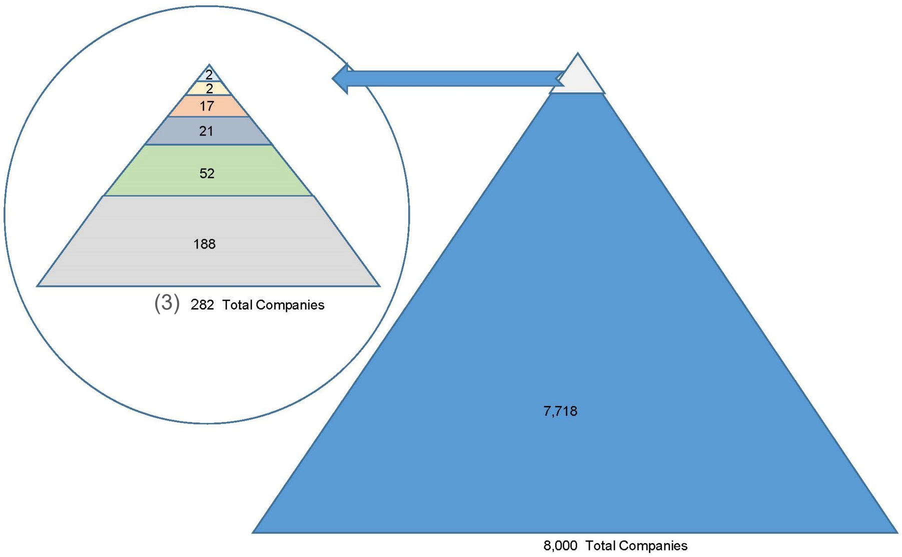
Revenues and Numbers of Companies in Charts

Market Size in Dollars



Revenue Category	# of Companies
Over $1b	2
$300m - $1b	2
$100m - $300m	17
$ 50m - $100m	21
$ 20m - $ 50m	52
$ 5m - $ 20m	188
$ 0 - $ 5m	7,718 (2)
	8,000

Number of Companies



1. Estimated based on Freedonia report, annual reports of public companies, and files of RHPA
2. Arithmetical function to come to the 8,000 companies and $28.0 billion revenue
3. Information from annual reports and files of Robert H. Perry & Associates, Inc.

SIZE OF THE MARKET

Revenues and Numbers of Companies

The US Contract Security Market at the end of 2019 was estimated to be $28 billion—then, around the first of the second quarter of 2020, certain segments of the market went into a sudden and dramatic decline. Security billings to industries such as sports & entertainment, hospitality, airlines and certain retail brick and mortar stores—the "affected industries" were virtually shut down. We estimate the industry lost approximately $1 billion of revenue from these industries. However, the pandemic also brought new revenues in the form of high margin COVID work such as temperature screening and social distance monitoring. Based on a review of the reports from some companies, it is estimated that this COVID work, although mostly temporary, amounted to almost $1 billion; virtually replacing the revenues lost from the "affected industries".

Freedonia, the large international research and reporting agency, pegs the present North American outsourced guarding market at $32 billion to include the U.S., Canada and Mexico. Since historically Canada and Mexico have represented a little over 10% of the total North American market, the U.S. portion would remain at approximately $28 billion. Our records and the reports from the public security companies confirm this figure. The combined revenues for the individual companies we have identified through conversations with the owners and other verification procedures are approximately $24 billion with the remaining $4 billion in revenues coming from the smaller companies, for which we don't have specific revenue numbers. We are not including cash-in-transit (armored vehicles) or "pure play" Federal government security providers. This is a huge market. It's difficult to quantify in terms of security spend in the various world locations. The figures, if 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.

When we talked with the owners of privately held companies across the country, some reported a slight decline in revenues (less than 8%) while others reported an attractive increase coming mostly from extra high margin COVID work to new and existing customers. Many said they were actually having to turn down business because they couldn't hire the officers needed to fill the posts.

Additionally, we estimate the size of just the manned guarding services included in the $28 billion market to be approximately $26 billion (with, as mentioned above, an insignificant portion coming from Canada and Mexico) when the estimated $2 billion in electronics and systems integration revenues coming from the large companies are taken out.

On a global basis, the public companies— Securitas, G4S and Prosegur reported a decline in ***reported revenue;*** even though there were revenue gains coming from increases in billing rates and extra high margin COVID work to new and existing customers. Much of this reported decline was the result of the local currency being stronger that the currency the company was converting and not a decrease in billable hours. In order to report the "real" growth unaffected by the movement in the foreign exchange rates, the companies will compute (and show in a footnote) what the growth (or shrinkage) would have been had the change in sales been computed using "constant exchange rates", which is the exchange rate used in the previous year and not the average rate for the current year. For instance, on a worldwide basis and only minimally affected in the U.S.

SIZE OF THE MARKET

Revenues and Numbers of Companies (continued)

market, Prosegur had to report a decline in revenues of 15%, with only .4% (one fourth of one percent) coming from a decrease in billable hours with the rest mostly coming the movement in the foreign exchange rates. Prosegur is particularly vulnerable to the effect of the foreign exchange rates since it operates in several countries having unstable economies. The same for Securitas and G4S, whose decline in ***reported revenue*** was a result of a strengthening of the local currency. Securitas reported a 1% decline in reported revenue for 2020, but a 1% increase in revenues when the 2020 figures were adjusted by the "constant exchange rates".

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; now delivering a much more effective security function and better trained officers than that provided by their in-house security department.

The Challenges in Determining the Size of the Market

As recently as 10 years ago, determining the size of the Contract Security Market, as it related to the manned guarding service offerings, was not complicated. Back then the only difference between the large and small companies was the amount of revenue and number of employees - all offered mostly standing and mobile guarding services.

As the menu of services expanded, determining the market size for any given service offering became more difficult and virtually impossible - leaving a question mark in deciding just how much the manned guarding sector has grown over the last 10 years and even from year-to-year.

SIZE OF THE MARKET

Number of Employees

It still remains a challenge to find credible information on the number of people working in the outsourced contract security Market in the United States. The latest report by the Bureau of Labor Statistics-issued in May 2020, at the start of the pandemic, and the most widely quoted source for the security Market, indicates a total of 1,054,400 "Security Guards" - down from 1,126,370 from the previous year. However, the report includes some categories of labor 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 in the section on the "size of the market", we estimate that approximately $1 billion of revenue went away almost immediately at the start of the pandemic for the "affected industries". This decrease in revenue was mostly replaced through additional higher margin COVID services provided to other customers. After taking this into consideration, we arrived at 810,000 estimated employees now—down from 830,000 from the last reporting period. 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

According to a February 02, 2021 "Statista" report, there were 675,734 public police officers in the U.S. in 2004 and at the end of 2019 there were a little less than 700,000 which, at 810,000 outsourced security guards (our estimate), puts the ratio at 1.2 outsourced guards to every public police officer—no change from last year. Further, the "Statista" report shows a compound growth rate in the public police force at only .24% (less than one fourth of one percent) from the years 2004 to 2019; much less than the growth rate for outsourced security guards. However, what's uncertain at this point is the ultimate outcome of the movement to "defund" the police forces. Many police officers have already left the force citing concerns over the negative public opinions escalating throughout the country—resulting from the murders of George Floyd and Breonna Taylor. According to a survey out last year by the National Police Foundation, 86% of the departments were reporting a staffing shortage—even before the wave of bad publicity from the murders, and has escalated since then. Many in the security industry are saying that the changes in how the 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 created by what's happening in the public forces. But it's still too early to estimate whether this trend will continue and to what extent.

SIZE OF THE MARKET

Employee Compensation

The May 2020 Occupational Labor Statistics report indicated that the median wages for contract security officers were approximately $16.52 per hour worked (up from $15.88 in 2019); and $34,360 for full-time gross annual pay (up from $33,030 in 2019) . These figures vary significantly depending on: the area of the country, whether the employee is working at a unionized facility, and whether or not the employee is working at a Federal government facility where the wage and benefits are mandated by the Federal government contract. Also, the wages are rising due to the need to hire better qualified personnel for operating and managing the growing technical offerings of the Contract Security Companies – especially the offerings previously mentioned for the Big 5 World Leaders.

However, what's not reflected in these reports are the efforts the contract security companies are having to go through now to bring the guards back to work. ***All*** the owners we talked with in gathering information for this report were experiencing shortage of labor. Trying to reach the anticipated $15 per hour mandate no longer was their benchmark. They were having to compete with the likes of the McDonalds restaurant chain now hiring at $20 per hour in some locations and Target and Amazon hiring at rates significantly above what most contract security companies were paying before the recruiting squeeze started.

Armed Security Officers

Based on our in-house records of the hundreds of manned guarding company owners with which we have consulted over the past several years, it is estimated that, contrary to public opinion, less than 10% of security officers working for contract security companies carry weapons. But the amount of armed guards in the Market is rising. The ones that are armed today are more thoroughly vetted upon employment and go through extra training to qualify to carry the weapon. Further, many contract security companies hire off duty, or retired, policemen to fill the posts requiring an armed security officer. The security company has to pay more for the off duty policeman, but most of the extra cost can be passed on to the customer.

However, as more and more incidences occur that could have been prevented by a weapon carrying security officer, the security customers are demanding that their contract security company find ways to meet this need.

It is anticipated that as the "defunding" of the police forces move escalates and more and more outsourced security companies fill the void of less public policemen, the armed percentage of the outsourced security companies will rise dramatically. In most cases, these outsourced security companies will hire off duty or retired policemen for these jobs since they already have extensive weapons training.

OPPORTUNITIES

Our country and world has gone through unprecedented times in the past 18 months. In addition to all the shut downs 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), mass murders and the latest being cyber-attacks that shut down our oil supply and meat production for days until the cyber terrorists collected millions in ransom payments. 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 better security offering and companies that before now hasn't seen the need for security realizing it needs the protection.

In-house Security Converting to Outsourced Security

It is estimated that the market size for companies providing their security in-house is approximately $15 billion; based on what they would have to pay at out-sourced 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 remaining 25 – 40% have internal requirements that prohibit them from outsourcing the security function. Many experts in the security industry are predicting the ratio of outsourced security to the total market will grow dramatically in the near future. The companies providing their security in-house are finding they can't keep up with what it now takes to protect them from all the aforementioned different new threats evolved in just the past 18 months. The training is more expensive and so is the investment in technology it takes to supplement the security officer. The large outsourced security companies such as Securitas, G4S 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.

OPPORTUNITIES

Governmental Agencies Outsourcing

The public police forces are, in most cases, operating on limited budgets, with outdated equipment and a low morale due to the criticism toward policemen by our local community. Many insurance companies, as well as municipalities, are now demanding that companies provide adequate protection. All this in at a time when the "defund the police force" movement seems to be taking traction. According to a survey out last year by the National Police Foundation, 86% of the departments were reporting a staffing shortage—even before the wave of bad publicity from the killings; which has escalated since then.

Even though it's still too early to tell, many in the security industry are saying that the changes in how the 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 created by what's happening in the public forces. The companies and municipalities that have a need to protect their property, employees, and citizens will be looking to the outsourced market as a way to respond to this ramped up demand with an increasing shrinking of the number of police officers on the street. Two years ago, a report on Channel 6 News from Milwaukee, Wisconsin announced a new effort to fight crime in the city by brining on cameras, security patrols, and a private security company to provide trained officers. Another Richmond Times-Dispatch report around the same time, indicated that . . . " Virginia is signing a $7M contract with a private security firm to transport mental health patients freeing up law enforcement. Many of the larger security companies started preparing for this increase in demand several years ago and are ready to respond.

Enhancing Manned Guarding with Electronics

The large security companies such as Securitas, G4S and Allied Universal have, for the past several years, been offering systems integration, integrated security, or some other type of electronic security enhancing services. However, such companies as ADT Commercial and, most recently the DIY Ring offering, are gaining traction in providing services traditionally provided by the integrated security companies - thus may be become a large competitor in the manned guarding sector of the security industry.

In talking with owners of the smaller companies in preparation for this White Paper report, many reported a move to get into some form of electronic security this year. To many, this was an upgrade in their security offering they had been planning for several years. To most of the respondents, this was a way to deal with the shortage of labor by offering offsite video monitoring services as a replacement for a security officer (which they were having challenges in recruiting). The majority of the respondents were offering the offsite video monitoring alternative through a subcontracted third party command center since the investment to establish an in-house center was too prohibitive. They reported the same gross profits, after paying the subcontracted command center, as what they would make by providing an on- site security officer.

OPPORTUNITIES

Legalizing Cannabis at the Federal Level

The Cannabis Market is one of, if not the, fastest growing industries in the world. But 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 that are still on the sidelines say their banks are afraid to take on the business 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.

A recent USA Today article said this about legalizing marijuana….."With the Democrats in full control of Congress and the White House, the odds for real cannabis reform, such as full federal legalization, have never been higher."

CHALLENGES

Electronic Security Reducing or Replacing the Manned Guarding Function

While it's true that some companies are eliminating security officers entirely and replacing them with electronic security, most of the owners we talked with reported that they were not losing customers entirely. When there was a decrease in the billable hours, it was usually replaced by a remote video monitoring function managed by the contract security company – either with its own monitoring station or subcontracting the service to a third party wholesale monitoring station.

Predictive Scheduling Resulting in Shortage of Labor

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 basically 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 of 2020.

Chicago is the only venue, so far, that has specifically included security services under its list of businesses required to meet the standards of the Act. The other venues only included retail and hospitality industries. For security companies operating in Chicago, the Act counters the on-call and "just-in-time" scheduling practices most commonly used and needed by manned guarding companies to fill an empty post assignment. Although this definition of covered employees would include most activities performed by the traditional manned guarding companies, there are certain exclusions covered in 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 the reason being that such laws put the employers in that state at an economic disadvantage when 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 felt that the law may become more stringent once the labor market improves.

CHALLENGES

Shortage of Labor Resulting in Increase in Non-billable Overtime Pay

Late last year, the Federal government gave a $600 per week supplement to the existing state unemployment benefit to people out of work. When the $600 ended in March of 2021, it was replaced with a $300 per week amount. However, the Federal government's weekly unemployment supplement, in addition to the state's normal weekly benefit amount, created a large disincentive for millions of Americans to return to work – because they can make more money staying at home. According to a report by the University of Chicago and American Action Forum, 60% - 70% of individuals on unemployment are making more than they did in their last job thanks to the federal supplement – and the bottom 20% of wage earners are making, on average, double what they made before. Now that the economy has opened back up, the ones still drawing the large unemployment checks are not ready to return to work. Some of the large companies such as Target, Amazon and Walmart are presently recruiting at levels above the $15 proposed minimum wage. Many of the security companies are offering signing bonuses. Allied Universal recently ran ads offering $1,500 to as high as $3,000 sign on bonuses in certain markets. All the owners we talked with reported a problem with filling posts because of the shortage of labor Some were having to pay an unprecedented overtime premium to fill the post and a few said that, for the first time in the history of owning and running their company, they are experiencing unfilled post assignments – thus a reduction in their revenue for that slot.

A recent LA Times article reported that…"some workers are probably holding out until at least September, when the enhanced government unemployment benefits expire. But that may not help much. States that already cut off the federal assistance are seeing only a moderate increase in workers coming off the sidelines" and a July 27,2021 article in the Washington Post suggested that…"hiring is likely to remain difficult for some time, especially in the lower-paying jobs".

CHALLENGES

Banks Tightening Lending Standards

Most all contract security companies look to their banks for the monies they need to grow revenue and pay operating expenses. However, many of the security companies may find themselves scrambling around for a new bank, or worse yet, may not be able to find one at all when the time comes to renew their line of credit. An August 03, 2020 Reuters article said this about the dilemma: “Loan officers at U.S. banks reported tightening standards and terms on all types of business, real estate and consumer loans in the second quarter [of 2020] as widespread coronavirus-related shutdowns plunged the economy into recession and tens of millions of workers lost their jobs”. The article went on to say that . . . “on balance, lending standards across all loan categories were at the “tighter end of the range” of standards in effect from 2005 to the present”. Manned guarding companies are more susceptible to this tightening of the lending strings than most other industries since usually the loans are collateralized by the predictableness of the revenue streams and the turnover days of receivables outstanding – both benchmarks acting in a negative direction for manned guarding companies, in particular, during the COVID-19 days of uncertainty.

Even though we hope the COVID-19 days of uncertainty are over, the possibility of the banks continuing to tighten the lending standards remains. The lingering effect of the unpredictable cash flows the shortage of labor produces and the possibility of the Delta variant of COVID (now starting to be referred to as COVID-21) keeps the banks feeling very uncertain about the continuing financial well-being of a lot of the marginally operating contract security companies.

Possible $15 Per Hour National Minimum Wage

The present Democratic platform still calls for a *national* $15 per hour minimum pay rate, in addition to a mandatory paid family leave provision, which will probably be phased in over several periods or years. The possible $15 per hour minimum wage was concerning to most security company owners until the labor shortage became apparent and started diminishing the profits through non-billable overtime premium pay. Today, based on the results of our polling the security company owners, the $15 minimum wage doesn’t seem quite as concerning. They’re already having to pay more than that to hire qualified security officers; and often times even the higher pay enticement is not pulling the workers back in as mentioned in the “shortage of labor” challenge above. The big question mark presently is – does the new hiring standard, where the employees are demanding more pay come to work, raise the bar on the normal hiring rate or will the pay rate go back to pre COVID levels once the labor shortage subsides?

CHALLENGES

Restore the Full Provisions of the Affordable Care Act

The Trump administration eliminated many of the provisions of the Affordable Care Act that were expensive to employers – the most significant of which was the Individual Mandate section of the law. This raised questions about whether the ACA was still constitutional. The Supreme Court upheld the ACA a third time in a June 2021 decision.

Increase in State Unemployment Insurance Rates

Although the state unemployment benefits helped millions of laid off workers survive during the pandemic, the strain on the state unemployment funds was significant. Typically, during a time of high unemployment, the employers face large increases in rates as a way to replenish the unemployment fund. In 2008, the recession led to the insolvency of unemployment trust funds in 35 states that collectively raised the debt, to the Federal government, to pay unemployed workers by more than $40 billion. According to a May 27, 2021 article in The Associated Press, presently 18 states owe the Federal government $52 billion for unemployment loans. The amount of the deficits keeps rising as the unemployment checks continue and remains uncertain as to exactly how much the states will be in debt by the time the labor problem improves. However, what is certain is that the unemployment taxes paid by companies will increase and the amount may be dramatic.

Probable Corporate Tax Increases

As mentioned elsewhere in this White Paper report, the Federal Government has pumped approximately $6 trillion into our economy in the form of pandemic relief monies and these monies eventually have to be paid back. One way of getting the monies back into our federal coffers is a large tax increase on high earning individuals and companies. The present administration is considering several proposals; one of which is raising the taxes on “C” corporations from the present 21% to 28%; in conjunction with eliminating the 8% deduction against taxable income for shareholders receiving their share of profits coming from “flow through” entities (Sub S Corporations, LLC’s and partnerships).

CHALLENGES

Owners Selling Under the Proposed New Tax Rate

The dilemma the owners, who are wanting to sell now, are facing is whether to sell now at a ***possible*** lower valuation when the sale will be taxed at the present low rate of 23.8% - or sell later hoping to increase the selling price through improved revenues and gross margins that ***could*** be taxed at a rate as high as 42.8% - the rate presently being proposed. The higher rate is still being discussed by the politicians and has not been approved by Congress, neither has its effective date, but it's expected to be an urgent item as Congress tries to find ways to pay for the $6 trillion of pandemic relief funds recently pumped into our economy. To bring this into perspective: assuming the multiples stay as good as they are now and an owner sells after the higher capital gains rate is approved, the company has to sell for over 30% more, in order for the seller to net the same after tax dollars as it would net by selling at the present lower rates. And the 30% is going to be even more difficult to achieve if the anticipated large increases in state unemployment taxes take effect as well as the continuing pressures on margin due to the shortage of labor. The multiples may also decrease due to higher interest rates the buyers may have to pay to borrow the acquisition funds.

As a side note, our firm was very active in 2020 helping owners lock in a sale at the lower capital gains rate. In fact, we had two closings on New Year's Eve.

MARGINS

IMPACT OF THE PANDEMIC

At the start of the pandemic shutdown back in March and April of 2020, many security company owners were concerned that the financial rewards they had enjoyed from their company may be about to come to an end; or at best, minimized. Some had customers that needed security but because of their financial setbacks may not be able to pay their bills. Others had customers that, because of a decrease in their business, were cutting back on billable hours. This meant many of the security officers would be standing in the unemployment lines if their security company employer had to initiate cuts.

Then the Federal government stepped in and offered loans to companies with less than 500 employees, in an amount equal to 2.5 times the company's average monthly payroll for 2019. The loans were forgiven if the company kept a certain large percentage of the employees on payroll even if they were not needed. The loans were also available to contract security companies with a net worth less than $15 million and average earnings of less than $5 million over the past 3 years. Many contract security companies that did not qualify, based on the number of employees, qualified under this latter, less stringent, and often lesser known, test. According to a July 12, 2021 issue of the ***Journal of Accountancy*** **,** the Small Business Administration made over $800 billion of such loans to many different industries over the 14 month period. This was a huge boost in the cash flow of the companies that applied for the loan and later had it forgiven. Since the forgiveness of the loan was not taxable, it had the effect of a "grant" in the amount of about 30% of annual revenue (if computed on a pre-tax basis). Also, many of the companies that received the loan didn't have to use it, since their business was virtually unaffected by the pandemic - ***until now*** . Presently a lot of the companies are experiencing an unprecedented rise in non-billable overtime premium pay due to the shortage of labor and are having to dip into the cash reserve established with the forgivable loan.

When the economy opened back up, many of the employees that were laid off were not ready to come back to work. They were receiving supplemental unemployment benefits from the Federal government which, when added to the state unemployment payment, took their benefit from not working to more than what they were making working for their previous security company employer. This shortage of labor has not only affected the contract security industry, but other industries as well. There are news reports that the likes of Walmart, Target, and Amazon are paying at a level significantly above the minimum wage to get employees to return to work. And there are reports that McDonalds, the international restaurant chain, is starting new hires at $20 per hour in certain areas of the country and are trying to hire an additional 10,000 employees across the U.S. In an effort to compete with the very tight labor market, some of the large security companies are offering sign-on bonuses ranging from $1,000 to as much as $3,000.

IMPACT OF THE PANDEMIC

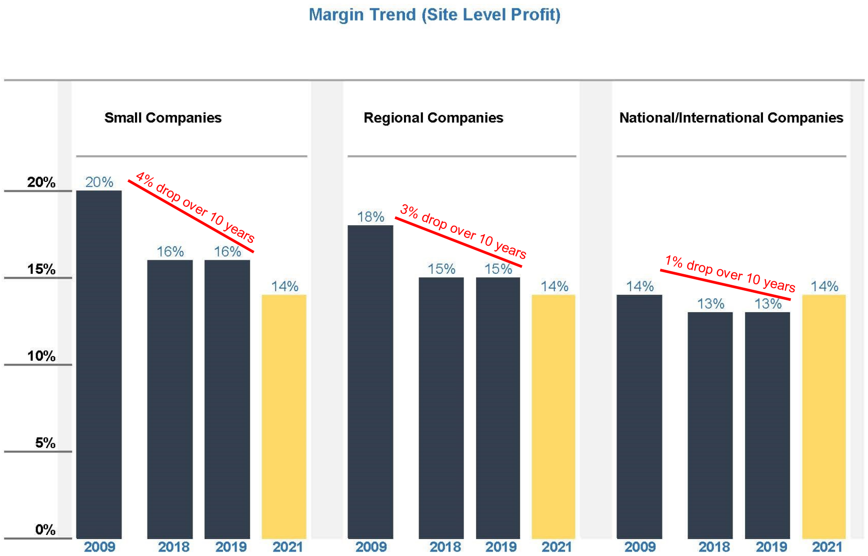
The charts on pages 64 and 65 reflect what the financial picture of the small, regional and national/international companies looked like for the 10 years leading up to the 2019 year – before the pandemic. The figures leading up to 2019 indicate a decrease in margins over the past few years of approximately 4% for the small companies and 3% for the regional companies. However, it's interesting to note that although the margins at the site level had slipped, EBITDA had remained relatively steady over the past couple of years for the regional companies. This is due primarily to a lot of "belt tightening" at the home office level accomplished by being more efficient in utilizing the non-billable personnel, or eliminating altogether some non-billable personnel through investing in technology. The small companies are usually operating at optimum levels of overhead personnel already and do not have much room to improve on the ratio of personnel to revenue; thus the reason the EBITDA was, and still is, decreasing significantly for these smaller companies.

We added another column in the charts that shows what the financial picture looks like now – supposedly with the pandemic in our rear view mirror. The lingering effect of the pandemic and the shortage of labor are still negatively affecting the financials of most contract security companies. Based on our survey of many of the company owners, the raises they are having to give as starting (and retaining) pay is mostly offset by increased billing to the customers. However, the companies do not receive improved billings in every attempt to pass along the wage increases. In these cases, rather than run the risk of losing the customer, the security company will just settle for a lower margin.

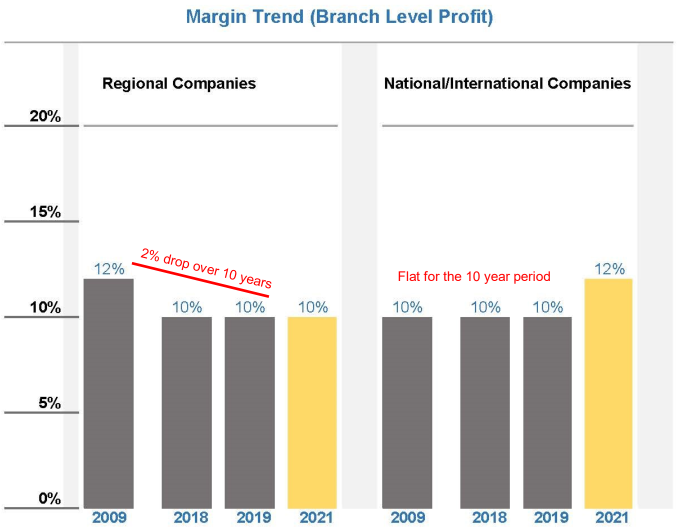
As for the larger companies, many have seen an actual increase in gross margin due to the lingering need for extra high margin COVID work. The margin improvement has also come from the shift in the percentage of revenue coming from the higher margin technology offerings, as well as systems in place that can make for a more efficient deployment of security personal not needed at certain job sites diverted to other job sites where the non billable overtime premium pay is unacceptable. In fact, on a global basis, the world leaders are still enjoying gross margins in the 18 – 20% range. In the U.S., the gross margins, although not as attractive as the gross margins for security companies operating in the "emerging markets", have also increased over the previous years and is presently around 13 – 14%, about 3 percentage points higher than two years ago, giving the larger companies an advantage when competing against their smaller rivals where personal attention is not a strong deciding factor when awarding the service contract.

MARGIN TREND

Site Level Profit



Branch Level Profit



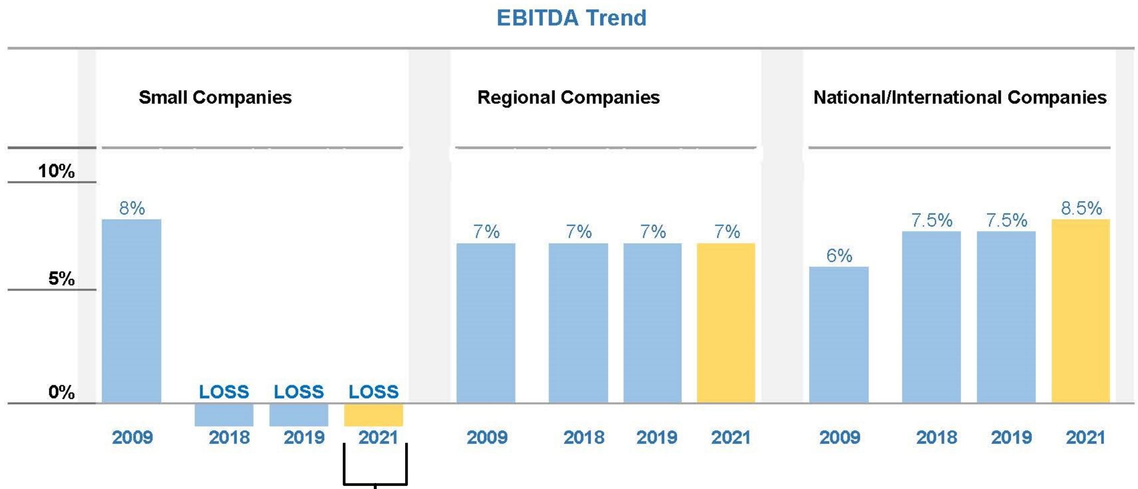
Note:

- The International World Leaders with Significant revenues coming from the "emerging markets" report company wide margins in the 18% - 20% range; underscoring the continuing competitiveness of the U.S. manned guarding market.

- See page 66 for definition of terms.

MARGIN TREND

EBITDA Trend



Most of the losses were alleviated through the Payroll Protection Program (PPP) forgiveness loans equal to approximately 30% of revenue on a pre-tax basis.

MARGIN TREND

Defining Terms on the Previous Charts

MARGINS (PROFIT AT THE CUSTOMER SITE, ALSO REFERRED TO AS “GROSS PROFIT”)

All 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.

BRANCH LEVEL PROFIT

The profit at site level less all the cost to operate the branch office (for companies with multiple branch offices).

EBITDA

Earnings Before Interest Taxes Depreciation and Amortization.

SMALL COMPANIES

Revenues less than $10 million; 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 medium sized companies are also experiencing margin slippage due to the previously mentioned costs. Although the margins are decreasing, the EBITDA has remained relatively constant due to a lot of “belt tightening” at the administrative cost level.

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

SIGNIFICANT TRANSACTIONS

Reporting Period: Year 2020 up to August 10, 2021
(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; therefore are only summarized by purchaser below.

The usual large company acquirers were still active during the reporting period, but reported smaller transactions, resulting from many of the larger companies of five years ago having already been purchased by Allied Universal.

Following are the ***announced*** transactions involving sellers with revenues exceeding $100 million annual (except where noted) during the reporting period—with summaries for the smaller transactions. Also listed are certain ***announced*** transactions significant to understanding the direction of the security Market. Details of most of these transactions can be viewed from our website under World Transactions.

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Manned Guarding

Companies with revenues less than $100 million:

AUS announced 3 acquisitions of companies with combined revenues of approximately $50 million.

Large manned guarding transactions (Companies with revenues exceeding $100 million:

On August 31, 2020, Allied Universal purchased Summit Security, a $200 million New York based manned guarding company. Robert H. Perry & Associates initiated this transaction and were consultants to the sellers during the negotiations.

On January 21, 2021, Allied Universal acquired SecurAmerica.

On March 16, 2021, Allied Universal acquired G4S.

Systems Integration

During the reporting period, Allied Universal, purchased 3 systems integration companies with total estimated revenues of $30 million.

SIGNIFICANT TRANSACTIONS

Reporting Period: Year 2020 up to August 10, 2021
(the date of publishing this White Paper report)

GARDAWORLD

GardaWorld continues to be a very active acquirer. During the reporting period, it acquired nine companies for its Protective Services division, and one company for its Cash Services division. The annual revenues for the total acquired companies is estimated to be CN$160 million.

Securitas

Securitas continues to purchase systems integration companies in strategic worldwide markets toward its goal of doubling its solutions and electronics sales by the year 2023.

In the reporting period, Securitas purchased 5 systems and integration companies outside of North America having annual sales of approximately $200 million (including Stanley security business in various countries with combined sales of approximately $80 million). In addition, it purchased 1 company in North America (F.E. Moran) having annualized sales of approximately $50 million.

Paladin Security

Paladin Security, a privately-held full service security company headquartered in Vancouver, British Columbia, ramped up its acquisition activities during the reporting period - buying two manned guarding companies and one systems integration company in Canada. In the U.S., through its PalAmerican subsidiary, it bought five manned guarding companies and two systems integration companies. None of the companies had annual revenues exceeding $100 million.

SIGNIFICANT TRANSACTIONS

Reporting Period: Year 2020 up to August 10, 2021
(the date of publishing this White Paper report)

Brink's notable acquisition for the reporting period came on February 28, 2020 when it announced that it has reached an agreement to acquire the majority of G4S's remaining cash management businesses for approximately $860 million. The acquisition included assets in 14 markets globally: the Netherlands, Malaysia, Romania, Belgium, Ireland, Kuwait, the Czech Republic, the Philippines, the Dominican Republic, Cyprus, Indonesia, Lithuania, Estonia and Latvia. Excluded from the sale are G4S's cash businesses in the U.K., South Africa and several other smaller markets. The acquisition is scheduled to close in phases, with the last phase completed before December 31, 2020.

G4S had previously sold its Canadian cash solutions business to Garda World in 2013 for approximately $110 million CN.

Although not a manned guarding or cash in transit transaction, this announcement is none the less a very important indication of the direction the security Market is headed:

On August 04, 2020, Security Systems News announced that ADT and Google plan a long-term partnership with the goal of creating an end-to-end smart home solution that combines Google's technology platform with ADT's installation, service and professional monitoring network.

PRIVATE EQUITY

Defining Private Equity

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 73. ***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 $13 billion (almost 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.*** 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

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, 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.

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 buyer, which the "would be" buyer does not want to do; and the sellers are not willing to take a long term note.

As mentioned in the **Significant Transactions** section (page 68), there are very few flagship size companies left in the Market today as a result of the buying spree of Allied Universal. It means the PEGs that are seriously considering the security Market for its next big investment, may have to lower its sights on the size company that will be its 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 73).

PRIVATE EQUITY INVESTING IN THE CONTRACT SECURITY MARKET

Company	PE Partner	Date Invested	Overview
GuardOne Security	Capitala	June 2015	Capitala has a significant investment in Security Solutions of America - the parent company of Guard One Security.
Allied Universal Security Services	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
GardaWorld	BC Partners	July 2019	BC Partners owns 51% of GardaWorld, with Stephan Crétier, the CEO, together with select members of management owning 49%.
PPS Patrol Protect Secure	Sunlake Capital Mangrove Equity Partners	December 2018	Sunlake teamed with Mangrove Equity to form PPS, the parent company, for select roll -ups in the manned guarding sector.
Protos Security	Southfield	March 2019	Southfield Capital formed Security Services holdings to pursue a roll-up strategy of manned security guard companies and tech-enabled security solutions alongside its platform acquisition of Protos Security. The company also owns Strategic Resources International and Mulligan Security.
	Cold Bore Capital	July 2019	Invicta is a contract security firm based in Denver, CO, The platform aims to scale in advantageous geographic and customer end markets.
Ally Pro Solutions	Antarctica Capital	January 2021	Ally Professional Solutions delivers next generation services in security, parking, and technology solutions. Expansion plans are through strategic acquisitions and organic growth across the U.S.

MULTIPLES

THE LARGE TRANSACTIONS ARE DRIVEN BY PRIVATE EQUITY

Securitas and G4S stopped buying traditional U.S.-based manned guarding companies, of any size, approximately 15 years ago; instead they have been buying electronics and high profile critical infrastructure businesses. As mentioned on page 72, the private company, not backed by private equity monies, can't and won't compete in the buying market. However, the large Private Equity Groups have been very active in acquiring in the contract security space since the acquisition of Allied Security by MacAndrews & Forbes in 2003.

Most of the large transactions announced in the years leading up to the Allied Barton/ Wendel transaction in 2015 - coming in at almost 12 times EBITDA - indicated average purchase price values in the 8 - 9 times ***the seller's*** EBITDA range. The large transactions in the past 3 years have been in the 10 -12 times ***the seller's*** EBITDA - usually recasted. Allied Universal was valued at almost 100% of revenue (about 12 times 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. Allied Universal paid $5.3 billion (approximately $8 billion on an enterprise value basis) when it recently purchased G4S - coming in at around 11 times earnings. Similarly, the multiple Allied Universal paid for US Security Associates and SOS Security a couple of years ago was in the 11-12 times earnings range. Although the U.S. is (or at least ***was*** until the Pandemic hit) experiencing the best economy in decades, there are concerns on the horizon: the variables in borrowing money, the instability of the foreign markets, the lingering uncertainty of COVID-19 and the new "delta" variant, the shortage of labor, as well as a general shift of governmental attitudes toward business owners of all sizes. All these aforementioned variables now come into play when trying to predict the multiples Private Equity can and will pay for companies going forward.

There have been several new Private Equity Groups to enter the market during the reporting period, with their initial buy being companies as small as $10 million in revenue. Some of the new entrants are still looking for just the right flagship company. Their plan is to buy a series of companies throughout the U.S., in various geographical markets, and eventually consolidate the operations under one brand , with shared operating systems and procedures. The multiples these PEGs paid were at least as high as what the synergistic buyers (large security companies owned by private equity) would have paid, even though the PEGS return on investment in the short term will not be as attractive as the synergistic buyers were enjoying. However, the PEGs had to be competitive in the bidding process for the initial buy. As the PEGs make future acquisitions through their flagship companies and take advantage of the elimination of redundant cost savings, the average price paid for all their acquisitions becomes a lot more attractive.

THE LARGE TRANSACTIONS ARE DRIVEN BY PRIVATE EQUITY

The large companies owned by PEGs will continue to buy their smaller competitors but not at increased multiples. They have reached their buy vs. build benchmark at setting their multiples and, if they can't buy at these multiples, they will divert their acquisition funds into more aggressive marketing efforts.

The companies already owned by Private Equity Groups are having to be even more aggressive in their growth plans. Their PEG owners are expecting their company to outperform the present 5% growth trend in the market. The total U.S. revenues of the companies owned, in the majority, by PEGs are in the $13 billion range; and even if they deliver exemplary service and do everything right to satisfy the customers, they are going to lose, on average, 10% of their revenue each year. This means the revenues from these companies have to grow about $2.0 billion just to meet that 5% average growth– still very much an unacceptable rate for the PEG owners. A lot of the new revenue will be coming from the companies entering new geographical foreign markets, billing rate increases and new service offerings carrying higher margins. Some of the growth will come from buying their smaller competitors, but we're hearing from the smaller companies that the larger companies are now targeting their customers promising lower billing rates and more technologically advanced electronic/ AI (artificial intelligence) services.

THE SELLING PRICES FOR SMALL COMPANIES IN TODAY'S MARKET

The active buyers, paying the highest multiples, are making offers for their smaller competitors ***USUALLY*** based on a multiple of the ***SELLER's Gross Profits - the profit at the site level - rather than a multiple of the EBITDA. This often results in a very attractive price for a company that's only marginally profitable or actually losing money.***

Although this multiple has increased significantly over the past five years and has now leveled off to a very attractive figure, some sellers aren't necessarily receiving a higher price for their company**.** In the present market, many of the small to medium sized companies are experiencing increasing revenues, with dramatically lower gross profit percentages, resulting from the heightened non-billable overtime costs. The aggressive buyers today are analyzing the purchase target based on what it's doing now — with its lower than normal margins. Not what it was doing a year ago and not what it ***MIGHT*** be doing when the labor market improves, since there's no clear time line as to when the labor shortage will subside. Sellers that have moved their bill rates along, with corresponding increased pay rates to attract security officers in this tight market, are still receiving unprecedented attractive prices when they sell.

The present buying multiple for the small companies is not likely to increase any time soon. Just as the multiple for the larger companies has reached the buyer's "build vs. buy" model threshold, it has done the same with the smaller companies, which means rather than a buyer paying a higher than normal multiple to purchase a company, a robust advertising/marketing campaign to obtain new customers organically may be a more compelling alternative. Also, in the past, many of the active acquirers were needing to make acquisitions in order to get into new geographical markets. The traditional active acquirers have now developed an attractive national footprint. They are in all the major markets and can service national accounts with very little, if any, need to subcontract the business to a smaller company, or acquire a company just to get into the market. They will still make smaller acquisitions, but the selling company now has to be strategic to the buyer's growth plans and has to meet more stringent due diligence criteria.

THE DILEMMA FACING SELLERS OF COMPANIES IN TODAY'S MARKET

The dilemma the owners, who are wanting to sell now, are facing is whether to sell now at a ***possible*** lower valuation when the sale will be taxed at the present low rate of 23.8% - or sell later hoping to increase the selling price through improved revenues and gross margins that ***could*** be taxed at a rate as high as 42.8% - the rate presently being proposed. The higher rate is still being discussed by the politicians and has not been approved by Congress, neither has its effective date, but it's expected to be an urgent item as Congress tries to find ways to pay for the $6 trillion of pandemic relief funds recently pumped into our economy. To bring this into perspective: assuming the multiples stay as good as they are now and an owner sells after the higher capital gains rate is approved, the company has to sell for over 30% more, in order for the seller to net the same after tax dollars as it would net by selling at the present lower rates. And the 30% is going to be even more difficult to achieve if the anticipated large increases in state unemployment taxes take effect as well as the continuing pressures on margin due to the shortage of labor. The multiples may also decrease due to higher interest rates the buyers may have to pay to borrow the acquisition funds.

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GLOSSARY

GLOSSARY OF TERMS

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

PBITA - Profit before interest, taxes and amortization

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 $2M - $250M.

Robert H. Perry & Associates, Incorporated

P.O. Box 67 (zip 27402)

301 N. Elm Street, Suite 710

Greensboro, NC 27401 (U.S.A.)

Tel: 336.272.2266 ◆ Fax: 336.272.1142

rhpa@roberthperry.com ◆ www.roberthperry.com

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