U.S. CONTRACT SECURITY MARKET

White Paper

August 2022

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THE U.S. DURING THE REPORTING PERIOD

Here's what happened in the U.S. from January 2021 to July 2022 (the 19-month "reporting period" for this White Paper) – and what the ***future may hold for the US Contract Security Industry***

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

The Pandemic – in January of 2021 it looked like the COVID-19 Pandemic, as we had experienced it, was subsiding and our country was starting to open back up. Today, a new, even more contagious, variant is starting to permeate within our population threatening another shut down for some industries and areas of the country.

The Dow Jones Average – in January of 2021, the average was hovering around 30,600. It reached its highest point in October of 2021 at a little over 36,000 points. On July 31, 2022, the Dow was at 32,569 – a little higher than where it was at the beginning of this 19-month reporting period. But financial experts are saying that it may go lower if our country slips into a recession as predicted.

The Unemployment Rate – In January of 2021, the rate was 3.9%. It rapidly escalated to its highest point in April of 2021 when it reached 14.7%. In November of 2021, it was 6.7% and as of May of 2022, it had dropped back to its lowest point at 3.6% - somewhat lower than it was at the start of this reporting period.

The Inflation rate – the inflation rate started at 1.4% in January of 2021. It was at 5.4% and 7% in June and December of 2021, respectively. Then, in what Congress blamed on the war in Ukraine and others blamed on the large stimulus monies given out during the pandemic, the rate hit 9.1%, the highest in 40 years.

The Federal Funds Rate – The Federal Funds Rate is the interest rate banks pay for overnight borrowing in the Federal Funds market. It affects the rates banks charge their customers to borrow money which can negatively affect the valuations of companies in a sale transaction. For the year of 2021, the Federal rate was .25% (effectively zero), but has dramatically increased during the year 2022 as a tool to curb the rapid rise in inflation (see above). The Fed rate as of July 27, 2022 was 2.5%; with more increases to come. Most economists are saying that the rapid rise in the Fed rate will throw our country into a recession.

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

ABOUT THIS EDITION

This annual White Paper marks our 14th year of reporting on the status and direction of the U.S. Contract Security Market. Although the topic headlines remain relatively unchanged from year to year, the information within the headings are updated to reflect the current status of the industry. As with all annual White Papers, some information is inherent to the ongoing activities of the industry, therefore will not change, or will have insignificant changes from year to year. Some information will be duplicated if it applies to multiple topics.

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

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

Primary Sources of Information for this Report

- Annual Reports on the public security companies
- 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

OVERVIEW OF THE 2022 WHITE PAPER

The Four World Leaders (See pages 12 - 38)

Each of the four world leaders have over $1 billion in worldwide revenue and have operations globally. These companies, representing over 60% of the U.S. market, have a combined footprint in approximately 200 countries and are large enough, and have sufficient financial resources, to lead the charge in changing the way the next generation of security companies will meet the ever-increasing demands of its customers and the general public.

The Market - Revenues and Number of Employees (See pages 39 - 45)

The industry, for the 10 years leading up to this 2022 reporting period, showed a 4% to 5% revenue growth. For this reporting period, the revenue growth has been 7% coming primarily from increased billing rates from present customers to offset, or partially offset, the increase in security officer compensation. We estimate the North American market to now be $34 billion- with approximately $30 billion coming from just the U.S.   When the Stanley Black & Decker systems integration business (purchased by Securitas in July 2022) is fully integrated into the Securitas operations, the market will increase by over $1 billion in the U.S. and approximately $.8 billion in other parts of the world. Our survey of owners of small and large companies indicated some growth coming from new business, although nominal, therefore we're estimating a 20,000 employee increase in the number of security officers – bringing the total to approximately 830,000 total billable employees.

Tailwinds and Headwinds (See pages 46 - 50)

Going forward, the companies will see growth in revenue coming from: more increases in billing rates to offset rising pay rates, advanced technology enticing customers to increase their security spend, new and expanding markets – such as off duty policemen, closed communities and K-9 offerings.

Security companies will also face challenges: the shortage of qualified labor, although expected to get better, will continue past the end of the year, state unemployment taxes will increase due to the fund shortage caused by the high unemployment payments and predictive scheduling continues to threaten an expansion into the contract security market.

Margins (Gross Profit) (See pages 52 - 60)

During the reporting period, hiring qualified personnel to fill the posts became even more of a challenge creating higher wage and non-billable overtime rates. Most companies were able to get a higher billing rate to offset, or partially offset, the rising direct cost caused by this shortage of labor.   From an industry wide perspective, based on our survey with owners of contract security companies, the revenues associated with bill rate increases has grown more than 10%, while the gross wages including the non-billable overtime premium has increased more than 12% - resulting in an estimated margin erosion of around 1.5%. The larger companies were able to offset this rising cost through offering some sort of integrated guarding where the margins were higher than those of the manned guarding offerings.

Mergers (See pages 62 - 67)

The volume of acquisitions increased this reporting period over the reporting period covered in last year's White Paper report. There were several new buyers this period and there were two historic acquisitions: Allied Universal bought G4S in April of 2021, creating the largest security company in the world with revenues of approximately $20 billion. Also, Securitas made it largest acquisition in history when it paid $3.2 billion for the $1.8 billion revenue systems integration division of Stanley Black & Decker. The acquisition pace is expected to remain robust through the remainder of 2022.

Multiples (See pages 69 - 72)

The very large companies, with revenues exceeding $500 million, were (and still are) valued at 11-12 times the seller's EBITDA. The multiples being paid for the smaller companies are about the same as the multiples were as reported in last year's White Paper, but the valuations are trending down due to decreasing margins – thus affecting the buyer's return on investment model. Going forward, buyers will be looking closely at the pay rates of the selling company and adjusting their valuation model for labor rate increases. Also, the rise in the Federal interest rate threatens lower valuations since the buyers will have to pay more for their acquisition funds – thus passing the higher cost on to the seller in the form of a reduced offering price.

BY THE NUMBERS

OUTSOURCED AND IN-HOUSE SECURITY MARKET

$45bn

OUTSOURCED CONTRACT SECURITY MARKET

$30bn

$20.5bn

REVENUES FOR THE 4 MARKET LEADERS

$5.8bn

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

OUTSOURCED SECURITY OFFICERS	COMPANIES IN THE UNITED STATES	(1) INORGANIC GROWTH FOR THE U.S. MARKET	(2) ORGANIC GROWTH FOR THE U.S. MARKET
830k	8k	1%	6%

(1) Acquisitions of companies outside the Contract Security Industry

(2) Primarily price increases to existing customers

MARKET

MARKET

As recently as 10 years ago, the only difference between a large "security guard" company and a small one was the amount of annual billings and the number of "guards". Then Securitas started what it called its "paradigm shift", where over a period of about 8 years it would become less reliant on labor by having more of its revenue coming from integrated guarding and other electronic offerings - its goal was to reach 25% of this mix by the year 2022. It was successful in reaching this goal. In fact, it will exceed it when the $1.8 billion ($1 billion in North America) revenues of the recently purchased systems integration business of Stanley Black & Decker is fully integrated into Securitas' operations. And not only was Securitas making the move to be less reliant on labor, but so was G4S; and most recently, Allied Universal.

Today, we estimate 12% of the $34 billion North American contract security market is coming from security offerings not requiring a large manned guarding component. In reviewing the website of the medium to large contract security companies, the menu of services being offered is expanding - with some adding services not related to security, such as janitorial and temporary staffing. Below is a sampling of what we found:

- Traditional on-site standing security officers (often enhanced by a roving vehicle patrol function)
- Remote video monitoring
- Robots
- Drones
- K-9 security (rapid expansion)
- 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.
- Cyber security—although offered on a limited basis by the traditional contract security companies.
- Janitorial services
- Temporary Staffing
- Off-Duty Officers (rapid expansion)

MARKET

Highlighting the World Leaders

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

These companies have a combined footprint in approximately 200 countries and are large enough, and have sufficient financial resources, to lead the charge in changing the way the next generation of security companies will meet the ever increasing demands of its customers and general public. As indicated in the section on the World Leaders, each company is expanding its menu of services to incorporate the use of technology. They have been pouring large amounts of capital in developing this technology over the past few years and are now using it as a way to meet this ramped up demand and move farther away from some of their smaller manned guarding competitors - ones without the resources for the large investment in technology and perceived as a provider of commoditized, low-margin services.

Important Note to Reader

The information on the four leaders presented on pages 12 to 38 was gathered from market sources and primarily the annual reports (in the case of Securitas, Prosegur, and GardaWorld). The companies do not follow a uniform format (from one company to the other) in reporting their revenues, market statistics, identifying services offered, etc. Therefore the information presented on these pages should not be used to compare one company's performance against any of the other companies, but should only be used to evaluate the performance of the individual company. It is suggested that the reader visit the company's website to obtain further information on the company's performance, especially in conjunction with the footnotes accompanying the information being presented.

FOUR WORLD LEADERS

MARKET

Company	Country Headquarters	Revenues (1) Globally Local Currency	in U.S. $ (2)	Approximate U.S. Revenue	
ALLIED UNIVERSAL SECURITY SERVICES	United States	$20bn	$20bn	$13bn	(5) (6)
SECURITAS	Sweden	MSEK 107,700	$12.5bn	$5.4bn	(5)
PROSEGUR	Spain	€3.5bn	$4.1bn	$0.4bn	(3)
GARDAWORLD	Canada	CN$4.1bn	$3.3bn	$1.7bn	(4)

(1) All revenues are for the 2021 year, except allied Universal, which ends its year June 30, 2022, and Garda-World, which ends its year January 31, 2022

(2) Local currency to U.S. dollar conversion rates (based on average rates for the 2021 year)

MSEK	= million Swedish Krona	8.61 SEK = $1.00
€	= Euro	€ 1.18 = $1.00
CN	= Canadian Dollar	CN$1 = $0.7982

(3) Prosegur entered the U.S. market in early 2019 and presently has approximately $400M in revenue from U.S. operations

(4) Includes approximately $700M in cash-in-transit revenue services in the U.S.

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

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

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
(1) Approximately $20 billion	Over 800,000 Speaking 45 languages	Over 90

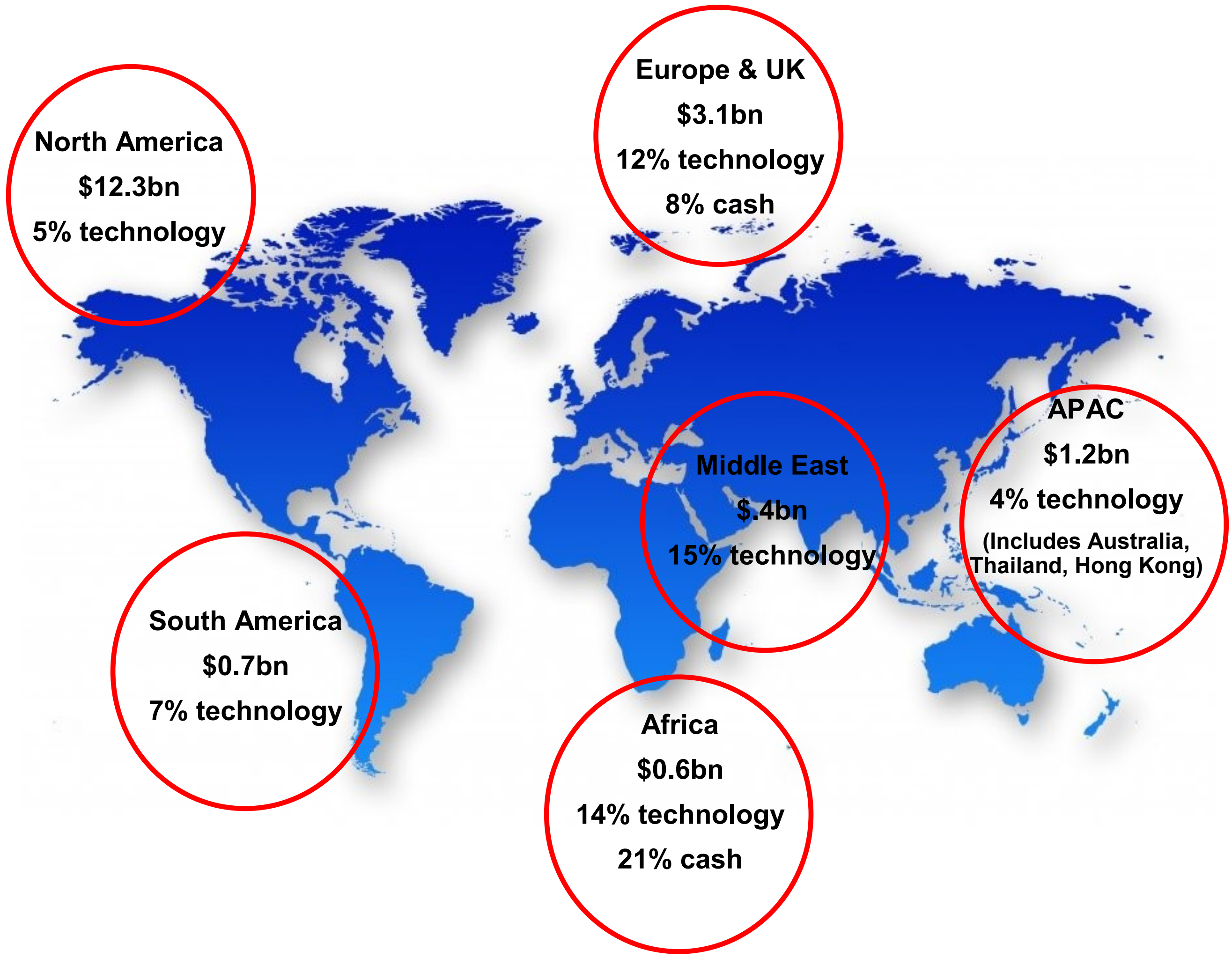
Customer Retention Rate	Revenues from Technology Offerings	High-Profile Customers
Over 95%	Over 25%	400 of the Fortune 500 Companies

(1) Run rate as of June 30, 2022.

Source: Website for Allied Universal and news releases

MARKET

Footprint

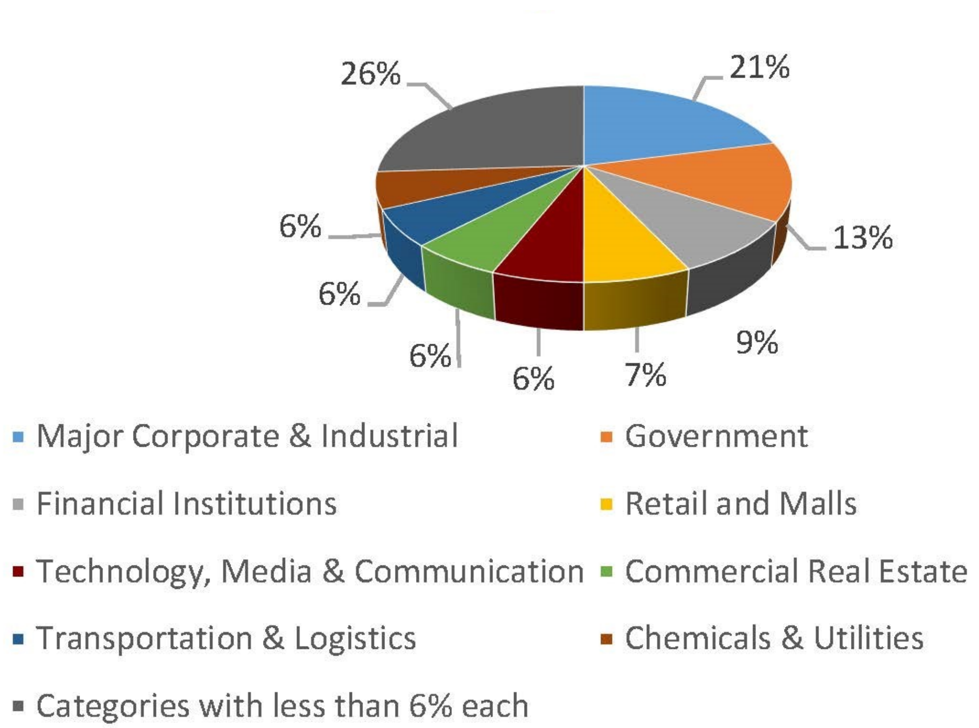


Above chart from August 2021 White Paper, the most recent information published.

Source: Website for Allied Universal and news releases

MARKET

Revenue by Customer Types



Above chart from August 2021 White Paper, the most recent information published.

Expanding Vertical markets:

- K-9 Security (largest in the world with over 1,000 canines deployed every day)
- Risk and consulting services
- Off-duty and retired police officers

Source: Website for Allied Universal and news releases

MARKET

Other Facts About Allied Universal

Allied Universal, a privately-held company, does not distribute its financials in the public domain. Therefore, we went to outside sources to find out what the financial news reports are saying about Allied, its present and future:

November 16, 2021 report from ***Fitch Ratings . . .***

The pandemic had minimal effect on Allied, as demand for security services at healthcare providers, state and local governments and financial institutions have more than offset declines in other areas. Overall, management reports continued organic revenue growth (+4% in 2020) and grew headcount throughout the year.

National clients represent approximately 23% of total U.S. revenues with a 98% retention rate. The company's top five clients account for less than 5% of revenue.

Annual organic growth has ranged from 3% to 7% driven by rate increases and new client wins. The company has largely institutionalized its integration efforts, resulting in more efficient synergy realization and helping drive overall margin improvement.

May 31, 2022 report from ***Mergemarket . . .***

A quote from Steve Jones, the CEO of Allied: " . . . Allied could consider an IPO within 18 to 24 months. For this report, the CEO said a listing is now possible within 12 to 24 months, with timing depending largely on market conditions and labor supply. We are public-ready now, but it has been a very challenging labor market over the last nine to 12 months." Also, Jones added …. "within the last year, Allied added JPMorgan, Goldman Sachs and Evercore to its roster of financial advisors.

Allied aims to reach US$ 25bn in revenue by 2025 through a combination or organic and inorganic growth, according to Jones.

July 13, 2022 report from ***Moody's Investors Service . . .***

[Allied's] margins have been pressured for the past year or so due to unfavorable labor market conditions.

As a result of higher levels of attrition Allied Universal has been incurring higher costs to hire and train new employees. Although it is hard to predict when labor market conditions will improve, Moody's expects conditions to remain unfavorable through the remainder of this year and thus margins to remain below the historical 9% area.

As for the overall security market: Moody's considers demand for security services to be relatively stable through economic cycles since customers generally view security as a non –discretionary spending item.

July 13, 2022 ***Sourcesecurity.com*** report on the ***SDM Top Systems Integrators . . .***

Allied Universal is ranked as the fourth largest integrator in North America. ***Allied Universal Technology Services*** provides customized solutions ranging from situational awareness and threat intelligence platforms, to remote video and alarm monitoring, to integrated commercial security systems and web and GPS-based patrol route management.

MARKET

Other Facts About Allied Universal

Ownership:

90% Private Equity Partners

Warburg Pincus
Partners Group
J. Safra Sarasin
CDPQ

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

Acquisitions of Companies with Revenues Exceeding $100 Million Annually:

Date Acquired	Company	Revenues	Service Sector
01/21/2021	SecurAmerica	$467M	Manned Guarding
03/16/2021	G4S	$ 5.3B	Manned Guarding and Technology
09/20/2021	MSA	$200M	K-9 Security
11/02/2021	Mallard Group	$125M	Janitorial
03/23/2022	T.S.S. (United Kingdom)	$170M	Manned Guarding
04/05/2022	Attenti Group	$125M	Electronic Monitoring

Source: Allied Universal 's news releases

OVERVIEW OF WORLD LEADERS

Key Performance Indicators

Revenues in U.S. Dollars $12.5billion

The year 2021

107 700
Total sales, MSEK (107 954)

4%
Organic sales growth (0)

22%
Security solutions and electronic security, share of total sales (22)

5.6%
Operating margin (4.5)

4.40
Proposed dividend per share, SEK (4.00)

345 000
Employees (355 000)

46
Number of countries with operations (47)

153 000
Approx. number of clients excluding monitoring-only clients (153 000)

90%
Client retention rate (91)

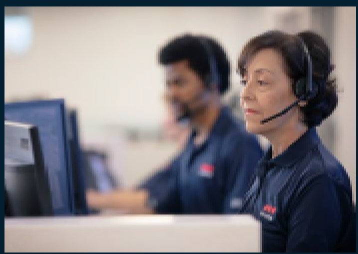
Source: Securitas Annual and Sustainability Report 2021 - Page 1

Securitas' Service Offerings

MARKET

Our offering

Securitas has the most comprehensive protective services portfolio in the industry, and we continuously innovate our offerings with solutions tailored to our clients' businesses and needs. This enables us to pursue partnerships where we develop in tandem with our clients.



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

SECURITY SOLUTIONS
Security solutions are a combination of services such as on-site and/or mobile services and/or remote services. These services are combined with a technology component in terms of equipment owned and managed by Securitas and used in the provision of services. The equipment is installed at the customer site.

CORPORATE RISK MANAGEMENT
Combining cutting-edge technology with top security intelligence, our global network of experts covers every risk. Securitas' risk experts are some of the most knowledgeable in the industry, identifying and protecting all areas that threaten your business and its operations.

ON-SITE SERVICES
Our on-site security officers protect properties, assets, staff, and residents in private or public environments. They are trained to detect, deter, and respond to risks and incidents.

MOBILE SERVICES
We provide mobile guarding services, where one security officer serves multiple clients within a limited geographical area.

REMOTE SERVICES
Our remote services are standardized, cost-effective, and combines specially trained security officers with innovative technology.

ELECTRONIC SECURITY
Electronic security consists of the sale of alarm installations comprising design and installation. Remote guarding, in the form of alarm monitoring services, that is sold separately and not as part of a security solution, is also included. Electronic security also includes maintenance services and, to a limited extent, product sales (alarms and components) without any design or installation.

FIRE AND SAFETY
We provide certified safety services, including fire prevention, first aid, evacuation assistance, and emergency planning adapted to each industry.

Source: Securitas Annual and Sustainability Report 2021 - Page 12

OVERVIEW OF WORLD LEADERS

Key Performance Indicators

Security Services North America

Markets:
Canada, Mexico and the US

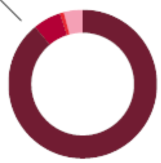
Total sales MSEK 46 747 (47 801)

Organic sales growth 3% (2)

Operating income before amortization MSEK 3 191 (2 800)

Operating margin 6.8% (5.9)

113 000 employees



Share of sales per country

- The US, 91%
- Canada, 6%
- Mexico, 1%
- Rest of countries in the segment, 2%

Share of sales per service

- Guarding services 76%
- Security solutions and electronic security 18%
- Other 6%

Security Services Europe

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

Total sales MSEK 46 138 (45 188)

Organic sales growth 5% (-2)

Operating income before amortization MSEK 2 696 (2 069)

Operating margin 5.8% (4.6)

120 000 employees

Share of sales per country

- Germany, 21%
- France, 14%
- Sweden, 12%
- Belgium, 9%
- The Netherlands, 7%
- Eastern Europe, 6%
- The UK, 6%
- Norway, 5%
- Turkey, 4%
- Rest of countries in the segment, 16%

Share of sales per service

- Guarding services 75%
- Security solutions and electronic security 25%
- Other 0%

Security Services Ibero-America

Markets:
Argentina, Chile, Colom-bia, Costa Rica, Ecuador, Peru, Portugal, Spain and Uruguay

Total sales MSEK 12 286 (12 552)

Organic sales growth 6% (2)

Operating income before amortization MSEK 702 (570)

Operating margin 5.7% (4.5)

59 000 employees

Share of sales per country

- Spain, 55%
- Argentina, 12%
- Portugal, 10%
- Chile, 8%
- Colombia, 4%
- Peru, 3%
- Rest of countries in the segment, 8%

Share of sales per service

- Guarding services 70%
- Security solutions and electronic security 30%
- Other 0%

AMEA — Africa, Middle East, Asia and Australia

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

53 000 employees

Source: Securitas Annual and Sustainability Report 2021 - Page 11

Revenue by Service Offering

North America and Around the World

Full Years 2017 - 2021

SECURITAS NORTH AMERICA

	Billion U.S. Dollars				
	$4.5	$4.8	$5.1	$5.2	$5.4
MSEK	2017	2018	2019	2020	2021
Guarding	31 182	33 541	36 892	36 798	35 475
Security Solutions	5 665	7 365	8 885	8 365	8 279
Other	1 261	1 460	2 722	2 638	2 993
Total Sales	38 108	42 366	48 499	47 801	46 747
Other Operations	0	0	0	0	0
Total Revenue	38 108	42 366	48 499	47 801	46 747
Security Solutions and Electronic Security as a % of Total Revenue	14.9%	17.4%	18.3%	17.5%	17.7%

SECURITAS GROUP AROUND THE WORLD

	Billion U.S. Dollars				
	$10.1	$10.9	$11.6	$11.9	$12.5
MSEK	2017	2018	2019	2020	2021
Guarding	74 239	79 567	84 887	81 838	80 602
Security Solutions	16 697	20 440	23 290	23 478	24 105
Other	1 261	1 460	2 722	2 638	2 993
Total Sales	92 197	101 467	110 899	107 954	107 700
Other Operations	24	29	34	39	43
Total Revenue	92 221	101 496	110 993	107 993	107 743
Security Solutions and Electronic Security as a % of Total Revenue	18.1%	20.1%	21.0%	21.7%	22.4%

MSEK - Million Swedish Krona (local currency of Securitas)
Billion U.S. Dollars - MSEK converted to U.S. Dollars using weighted average exchange rates for the years:

2021 - 8.61 SEK = $1
2020 - 9.16 SEK = $1
2019 - 9.47 SEK = $1
2018 - 8.75 SEK = $1
2017 - 8.49 SEK = $1

See Page 11 for “Important Note to Reader”

Source: Securitas Annual and Sustainability Reports for the years shown

Financial Summary - Around the World

Full Years 2017 to 2021

MSEK	2017	2018	2019	2020	2021
Billion U.S. Dollars	$10.9	$11.9	$11.7	$11.9	$12.5
INCOME					
*** Total sales**	**92 197**	**101 467**	**110 899**	**107 854**	**107 700**
of which acquired business	718	1 760	1 339	1 312	1 162
** Acquired sales growth, %*	*1*	*2*	*1*	*1*	*1*
** Organic sales growth, %*	*5*	*6*	*4*	*0*	*4*
** Real sales growth, %*	5	8	6	1	5
Operating income before amortization	**4 697**	**5 304**	**5 738**	**4 892**	**5 978**
* Operating margin, %	5.1	5.2	5.2	4.5	5.6
Amortization and impairment of acquisition-related intangible assets	-255	-260	-271	-286	-290
Acquisition-related costs	-48	-120	-62	-137	-122
Items affecting comparability	-	-455	-209	-640	-871
Financial income and expenses	-376	-441	-578	-500	-364
***Income before taxes**	**4 018**	**4 028**	**4 618**	**3 329**	**4 331**
Taxes	-1 267	-1 007	-1 256	-913	-1 197
Net income for the year	**2 751**	**3 021**	**3 362**	**2 416**	**3 134**

Full Year - 2021 vs. (2020)

- Organic Sales were 4% (0)
- Extra sales amounted to 15% (16%) of total sales
- Real sales growth, including acquisitions and adjusted for changes in exchange rates, was 5% (1%)
- Sales of security solutions and electronic security sales were 22% (22%) of total sales for the full year. Real sales growth for security solutions and electronic security, including acquisitions and adjusted for changes in exchange rates, was 8% (5%)
- Operating income before amortization was MSEK 5 978 (4 892), which when adjusted for changes in exchange rates, represented a real change of 28% (-10%). The operating income was supported by Corona-relate government grants and support measures of MSKE 550 (780) in 2021, mostly within Security Services Europe. These grants and support measures related primarily to partial unemployment support and compensate partly for increased cost levels due to idle time.
- The Group's operating margin was 5.5% (4.5%), an improvement seen in all business segments including a lower level of provisioning compared to last year. All business units supported the development in Security Services North America.

See page 21 for foreign monetary conversion rates.

See Page 11 for "Important Note to Reader"

Source: Securitas Annual and Sustainability Reports for the years shown

Financial Summary - North America

Full Years 2017 - 2021

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.

	Billion U.S. Dollars				
	$4.5	$4.8	$5.1	$5.2	$5.4
MSEK	2017	2018	2019	2020	2021
INCOME					
*** Total sales**	**38 108**	**42 366**	**48 499**	**47 801**	**46 747**
** Organic sales growth, %*	*5*	*6*	*4*	*2*	*3*
** Share of Group sales, %*	*41*	*42*	*44*	*44*	*43*
Operating income before amortization	**2 254**	**2 589**	**3 003**	**2 800**	**3 191**
* Operating margin, %	5.9	6.1	6.2	5.9	6.8
* Share of Group operating income, %	48	49	52	57	53

MSEK - Million Swedish Krona (local currency of Securitas)
Billion U.S. Dollars - MSEK converted to U.S. Dollars using weighted average exchange rates for the years shown:

2021 - 8.61 SEK = $1
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2019 - 9.47 SEK = $1
2018 - 8.75 SEK = $1
2017 - 8.49 SEK = $1

See Page 11 for “Important Note to Reader”

Source: Securitas Annual and Sustainability Reports for the years shown

MARKET

Financial Performance
Around the World
Six Months June 30, 2022
Compared to
Six Months June 30, 2021

MSEK	Jan–Jun 2021	Jan–Jun 2022	%
Total sales	**52 313**	**59 133**	**13**
Currency change from 2021	–	–3 945	
Real sales growth, adjusted for changes in exchange rates	**52 313**	**55 188**	**5**
Acquisitions/divestitures	–71	–291	
Organic sales growth	**52 242**	**54 897**	**5**
Operating income before amortization	**2 727**	**3 212**	**18**

SALES DEVELOPMENT

Sales amounted to MSEK 59 133 (52 313) and organic sales growth to 5 percent (4), driven by Security Services Europe and Security Services Ibero-America. Security Services Europe had 9 per- cent (3), supported by most countries including the airport security business, as well as price increases. Security Services Ibero-America showed 15 percent (2), primarily driven by Spain and price increases in Argentina. Security Services North America had –1 percent (5) organic sales growth, impacted by previously announced contract terminations and reduced corona-related extra sales. Extra sales in the Group amounted to 13 percent (16) of total sales.

Real sales growth, including acquisitions and adjusted for changes in exchange rates, was 5 percent (5).

Security solutions and electronic security sales amounted to MSEK 13 660 (11 605) or 23 percent (22) of total sales in the first half year. Real sales growth, including acquisitions and adjusted for changes in exchange rates, was 11 percent (7).

OPERATING INCOME BEFORE AMORTIZATION

Operating income before amortization was MSEK 3 212 (2 727) which, adjusted for changes in exchange rates, represented a real change of 8 percent (40).

The Group's operating margin was 5.4 percent (5.2), an improvement driven by Security Services North America and Security Services Ibero- America. Total price adjustments in the Group were ahead of wage cost increases in the first half year.

See page 21 for foreign monetary conversion rates.
See Page 11 for “Important Note to Reader”
Source: Securitas Interim Report Jan-June 2022

Financial Performance
North America
Six Months June 30, 2022
Compared to
Six Months June 30, 2021

	H1		Change, %		Full Year
MSEK	2021	2022	Total	Real	2021
INCOME					
*** Total sales**	**22 857**	**25 906**	**13**	**-1**	**46 747**
** Organic sales growth, %*	*5*	*-1*			*3*
** Share of Group sales, %*	*44*	*44*			*43*
Operating income before amortization	**1 494**	**1 796**	**20**	**5**	**3 191**
* Operating margin, %	6.5	6.9			6.8
* Share of Group operating income, %	55	56			53

JANUARY–JUNE 2022

Organic sales growth was –1 percent (5). The decline was primarily related to the terminated security contract within the healthcare client segment and the termination of the airport security contract in Hawaii, as previously communicated. The lower level of corona-related extra sales also had a negative impact compared to the first six months last year. The installation business within Electronic Security hampered organic sales growth in the first six months, negatively impacted by global supply chain shortages and labor shortage mainly in the first quarter. The client retention rate was 85 percent (90).

Security solutions and electronic security sales represented MSEK 4 875 (4 029) or 19 percent (18) of total sales in the business segment with real sales growth of 6 percent (6) in the first half year.

The operating margin was 6.9 percent (6.5), supported by all business units. The operating margin in Guarding improved despite the lower level of corona-related extra sales and the impact of labor pressure, supported by the finalized business transformation program and the above-mentioned contract terminations at below average operating margins. Electronic Security had a strong operating margin development driven by business mix and solid operational execution. Pinkerton performed well and the margin was supported by strong sales leverage. Critical Infrastructure Services also improved the operating margin, supported by active portfolio management.

The Swedish krona exchange rate weakened against the US dollar, which had a positive impact on operating income in Swedish krona. The real change was 5 percent (28) in the first half year.

See page 21 for foreign monetary conversion rates.

See Page 11 for “Important Note to Reader”

Source: Securitas Interim Report Jan-June 2022

MARKET

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

[view the full press release here]

See Page 11 for "Important Note to Reader"
Source: Securitas news release on the acquisition

MARKET

Key Performance Indicators

Revenues in U.S. Dollars: $4.1 billion

Prosegur: Safety in numbers

Countries

26

Employees

+140,000

2021 Sales

3,498 M€

2021 EBITDA

386 M€

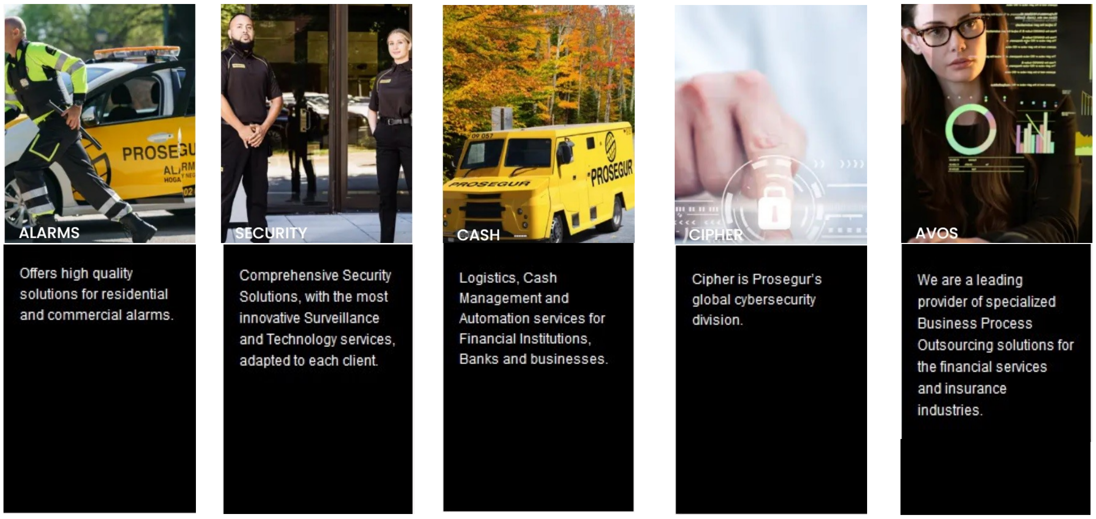
●**Blue print is information inserted by Robert H. Perry & Associates**

See page 12 for foreign monetary conversion rates.

See Page 11 for "Important Note to Reader"

Source: Prosegur.com

Prosegur's Business Lines



See Page 11 for "Important Note to Reader

Source: Prosegur.com - Business Lines Page

Prosegur's Footprint and Revenue Growth Around the World

Footprint and Financial Performance

in million Euros		2021	2020	(Decrease)
Europe		1,423 €	1,551 €	-8.3%
Latin America		1,707 €	1,686€	1.2%
Rest of the World		367 €	333 €	10.2%
Total	**$4.1 bn**	**3,498 €**	**3,570€**	**-2.0%**

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

Sales Decrease Analyzed:

Decrease due to divestitures	2.7%
Exchange rate effect	4.7%
Total sales decrease	2.0%

The 2% decrease in sales was caused by an inorganic decrease of 2.7% - mainly as a result of the sale of operations in France, Mexico, and the alarm business in Spain in 2020 - and a negative exchange rate of 4.7%. These two factors offset organic growth of 5.4% experienced during the period.

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

See page 12 for foreign monetary conversion rates.

See Page 11 for "Important Note to Reader"

Source: Prosegur's 2021 Consolidated Directors' Report

MARKET

Financial Results - 2021 Compared to 2020

Around the World

(In thousands of Euros)

	2021	2020
Revenue	3,498,064	3,570,421
Cost of sales	(2,689,857)	(2,760,724)
Gross Profit/(Loss)	**808,207**	**809,697**
Other income	40,330	541,861
Administration and sales expenses	(643,949)	(657,073)
Other expenses	(25,539)	(143,270)
Participation in profits/(losses) of the year, regarding investments accounted for using the equity method	(5,071)	(1,781)
Operating profit/(loss) (EBIT)	**173,978**	**549,434**
Financial income	55,987	30,531
Financial expense	(90,983)	(96,229)
Net financial expenses	(34,996)	(65,698)
Profit/(loss) before tax	**138,982**	**483,736**
Income tax	(95,271)	(148,861)
Post-tax profit of ongoing operations	**43,711**	**334,875**
Consolidated profit/(loss) for the year	**43,711**	**334,875**

Note:

Prosegur's total sales - Around The World - for 2021 converts to $4.1 billion.
The U.S. portion is approximately $400M

See page 29 for sales decreases analyzed

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

See page 12 for foreign monetary conversion rates.

See Page 11 for "Important Note to Reader"

Source: Prosegur's 2021 Consolidated Directors' Report

Sales Performance by Business Line

SALES	CASH	SECURITY	ALARMS	AVOS	CIPHER
EUR	1,518,813	1,734,886	184,838	45,054	14,473
US$	1,792,199	2,047,165	218,109	53,163	17,078

EBITDA					
EUR	184,625	45,307	20,378	2,937	2,258
US$	217,858	53,462	24,046	3,466	2,664

EUR = European Euros

EBITDA = Earnings before interest, taxes, depreciation and amortization

US$ = Used the average exchange rate for 2021 -1.18 USD to 1 Euro

Red Figures = Loss

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

See page 12 for foreign monetary conversion rates.

See Page 11 for “Important Note to Reader”

Source: Prosegur’s 2021 Consolidated Directors’ Report

PROSEGUR

MARKET

Financial Performance
6 Months 2022 and 6 Months 2021
Around the World

Consolidated Results
(Amount in € million)

	6M 2021	6M 2022	% Variation
SALES	**1,637**	**2,002**	*22.3%*
Organic Growth	*+2.9%*	*+18.0%*	
Inorganic Growth	*-0.4%*	*+2.0%*	
FX	*-10.2%*	*+2.3%*	
EBITDA	**171**	**218(1)**	*27.0%*
Margin	*10.5%*	*10.9%*	
Depreciation	(79)	(87)	
EBITA	**93**	**130**	*40.7%*
Margin	*5.7%*	*6.5%*	
	(14)	(17)	
EBIT	**78**	**113**	*44.6%*
Margin	*4.8%*	*5.7%*	
Financial Result	(4)	(23)	
Profit before tax	75	90	*21.2%*
Margin	*4.5%*	*4.5%*	
Tax	(46)	(50)	
Tax rate	*61.5%*	*55.7%*	
Net Profit	29	40	*39.5%*
Minority Interest	*2*	9	
CONSOLIDATED NET PROFIT	**26**	**31**	*18.5%*

(1) Reported EBITDA. This does not include €8,7M improvement coming from reversed provisions associated to administrative resolutions

FX - Effect of foreign exchange rate

See page 12 for foreign monetary conversion rates.
See Page 11 for “Important Note to Reader”
Source: Prosegur’s 2021 Consolidated Directors’ Report

MARKET

Key Performance Indicators
(Information as of 01/31/2022)

Total Sales

US$3.3 billion
4,073 (in CN$1000)

Main Business Lines

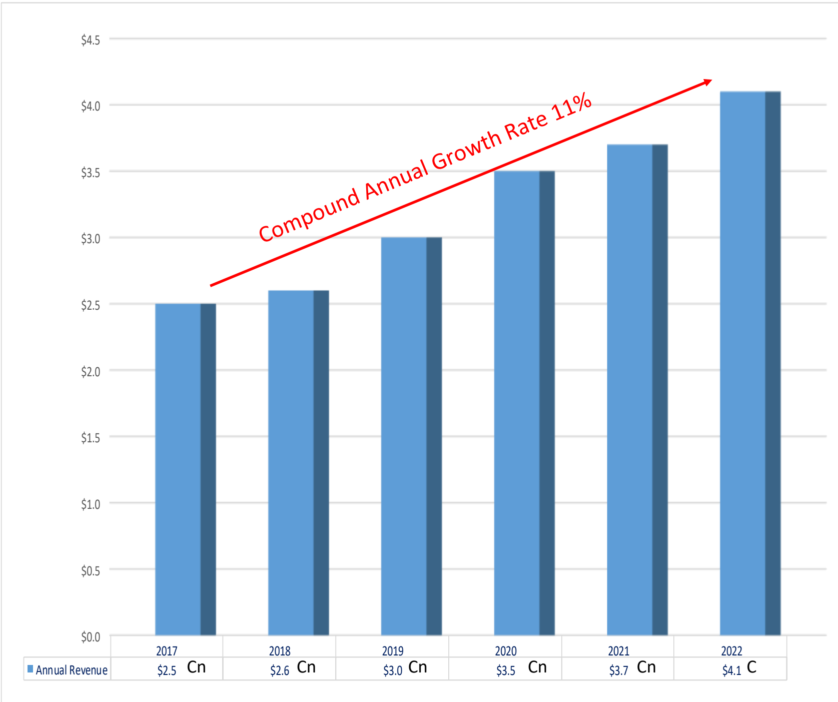
Cash Services	**24%**
Protective Services	**76%**

Employees

120,000

Footprint

North America, Europe,
Middle East, Africa
(35 Countries)



See page 12 for foreign monetary conversion rates.
See page 11 for "Important Note to Reader
Source: GardaWorld year-end reports - January 31, 2022

MARKET

Lines of Service and Area Revenues
Fiscal Years January 31, 2022 Compared to January 31, 2021

REVENUES - FISCAL YEARS (January 31)

	2021	2022	Change
in million CN$			
Protective Services			
North America	$ 1,879	$ 2,054	17.1%
International	885	1,059	-1.0%
Total Protective Services	**2,764**	**3,113**	12.6%
Cash Services - North America	982	960	.3%
Total Revenue	**$ 3,746**	**$ 4,073**	9.5%
	$2.8 bn	**$3.3 bn**	

NOTE: The U.S. dollar weakness decreased revenue computation by CN$36.7 million for 2022 year.

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

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

MARKET

Revenues by Area
Fiscal Years January 31, 2022 Compared to January 31, 2021

REVENUES - FISCAL YEARS (January 31)

	2021	2022
in million CN$		
Canada	$ 1,345,385	$ 1,395,705
U.S.A.	1,720,402	2,124,501
Middle East & Asia	412,362	282,335
East Africa	197,224	202,794
Others	70,291	71,081
	$ 3,745,664	$ 4,073,416
	US$2.8 bn	**US$3.3 bn**

NOTE: The U.S. dollar weakness decreased revenue conversion by CN$36.7 million for 2022 year.

See page 12 for foreign monetary conversion rates.
See page 11 for “Important Note to Reader
Source: GardaWorld year-end reports - January 31, 2022

Financial Performance Explained
Fiscal Year Ended January 31, 2022

(amounts in CN$, except where noted)

All Services

Revenues for the fiscal year ended January 31, 2022 were $4,073.4 million, compared with $3,720.7 million last year, an increase of $352.7 million or 9.5%. Revenues from organic growth increased by $287.5 million or 7.7% and revenues from business acquisitions increased by 148.8 million or 4.0% explained mainly by the FAM, WorldAware, Candem, Triton, Liberty, GDBA-Es, Trident and Incident Catering Services acquisitions. The impact of foreign exchange has decreased the revenues by $83.6 million.

Security Services' revenues increased by 12.6% while Cash Services' revenues decreased by 0.3%.

Protective Services

Revenues for the fiscal year ended January 31, 2022 were $3,113.1 million, compared with $2,763.6 million last year, an increase of $349.5 million or 12.6%. Revenues from business acquisitions increased by $148.8 million or 5.4% and existing business increased by $247.6 million or 9.0%. The U.S. dollar conversion has decreased the revenues by $46.9 million.

Security Services' revenues in North America were $2,053.9 million, compared with $1,878.9 million last year, an increase of $175.0 million or 9.3%. Revenues from existing business increased by $182.6 million or 9.7% while the U.S. dollar weakness has decreased the revenues by $20.1 million.

Revenues from Middle East, Asia & Africa for the fiscal year ended January 31, 2022 were $1,059.2 million compared with $884.7 million last year, an increase of $174.5 million or 19.7%. Revenues from business acquisitions increase by $136.3 million or 15.4% and revenues from existing business increased by $65.0 million or 7.3%. The U.S. dollar weakness has decreased the revenues by $26.8 million.

Cash Services

Revenues for the fiscal year ended January 31, 2022 were $960.3 million, compared with $957.1 million last year, an increase of $3.2 million or .3%. Revenues from existing business increased by $39.9 million or 4.1% while the U.S. dollar weakness has decreased revenues by $36.7 million.

Cash Services' revenues in Canada for the fiscal year ended January 31, 2022 were $234.4 million compared with $228.2 million last year, an increase of $6.2 million or 2.7%. Cash Services' revenues in the United States were $725.9 million for the fiscal year ended January 31, 2022 compared with $728.9 million last year, a decrease of $3.0 million or .4%.

See page 11 for "Important Note to Reader
Source: GardaWorld year-end reports - January 31, 2022

MARKET

Around the Globe
Revenue - 1st Quarter Ended April 2022

(amounts in CN$, except where noted)

REVENUES - 1st Quarter February - April 2022

Revenues for the first quarter of fiscal 2022 were $1,180.4 million, compared with $933.2 million last year - an increase of $247.2 million or 26.5%. Revenues from organic growth increased by $99.3 million or 10.6% and revenues from business acquisitions increased by $125.2 million or 13.4% explained mainly by the GDBA-ES, Trident, Tidel and Gunnebo acquisitions. The impact of foreign exchange has increased revenues by $22.7 million.

Security Services' revenues increased by18.9%, and *Cash Services'* revenues increased by 49.4%.

Cash Services

Revenues for the first quarter were $347.4 million, compared with $232.5 million last year, an increase of $114.9 million or 49.4%. Revenues from existing business increased by $29.9 million or 12.9%, revenues from business acquisitions increased by $78.6 million or 33.8% and the U.S. dollar conversion increased revenues by $6.4 million.

Cash Services' revenues in Canada for the first quarter were $63.6 million compared with $53.5 million last year, an increase of $10.1 million or 19.0%. *Cash Services'* revenue in the United States were $263.5 million for the first quarter, compared with $179.0 million last year, an increase of $84.5 million or 47.2%, *Cash Services'* revenues from outside of North America were $20.3 million for the first quarter compared with nil last year.

See page 11 for "Important Note to Reader
Source: GardaWorld year-end reports - January 31, 2022

MARKET

Around the Globe
Revenue - 1st Quarter Ended April 2022

(amounts in CN$, except where noted)

REVENUES - 1st Quarter February - April 2022

Security Services

Revenues for the first quarter were $833.0 million, compared with $700.7 million last year, an increase of $132.3 million or 18.9%. Revenues from business acquisitions increased b y$46.6 million or 6.7%, and existing business increased by $69.4 million or 9.9% The U.S. dollar conversion increased revenues by $16.3 million.

Security Services' revenues in North America were $588.3 million compared with $461.2 million last year, an increase of $127.1 million or 27.6%. Revenues from existing business increased $86.4 million or 18.7% and revenues from business acquisitions increased by $22.2 million or 4.8%. The U.S. dollar conversion increased the revenues by $18.5 million.

Revenues from the Middle East, Asia & Africa for the first quarter were $244.7 million compared with $239.5 million last year, an increase of $5.2 million or 2.2%. Revenues from business acquisitions increased by $24.4 million or 10.2%, and existing business decreased by $17.0 million or 7.1%. The U.S. dollar conversion decreased the revenues by $2.2million.

See page 11 for “Important Note to Reader
Source: GardaWorld first quarter reports - April 30, 2022

MARKET

As in previous years, we surveyed many owners of privately held contract security companies in gathering some of the information in this White Paper having mostly to do with the market conditions and the owners' view of the future of the industry. The revenues of the companies ranged from $10 million to over $200 million annually. We conducted this survey in January of 2022 and again in July of 2022 and, although the view of the market had changed somewhat in the interim, the answers were almost the same. Below is a summary of what the owners told us:

Growth in revenue: All the owners reported at least 10% growth in revenue, with some owners of the larger companies reporting growth in excess of 30%.

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

Potential growth: All the owners reported having to turn down business for existing and new customers because of the shortage of labor to fill the posts. However, most of the owners see an improvement in the shortage of labor as the country sinks into a possible recession, thus bringing the guards back. Even though a recession usually means less revenue and profits for companies in general, typically contract security is only minimally affected by the slowdown.

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

Recruiting: Last year, we reported that many companies, small and large, were offering signing, or stay bonuses. Based on this latest survey, most of the companies have stopped this in favor of a larger hiring pay rate, which they are passing on to their customers. And they are taking a hard stance on the billing rate increase by turning down business where the higher wages erode the margins. Some of the owners reported signs of the guards coming back due to the recent expiration of the federally provided benefits – although at only a "trickle" for now.

MARKET

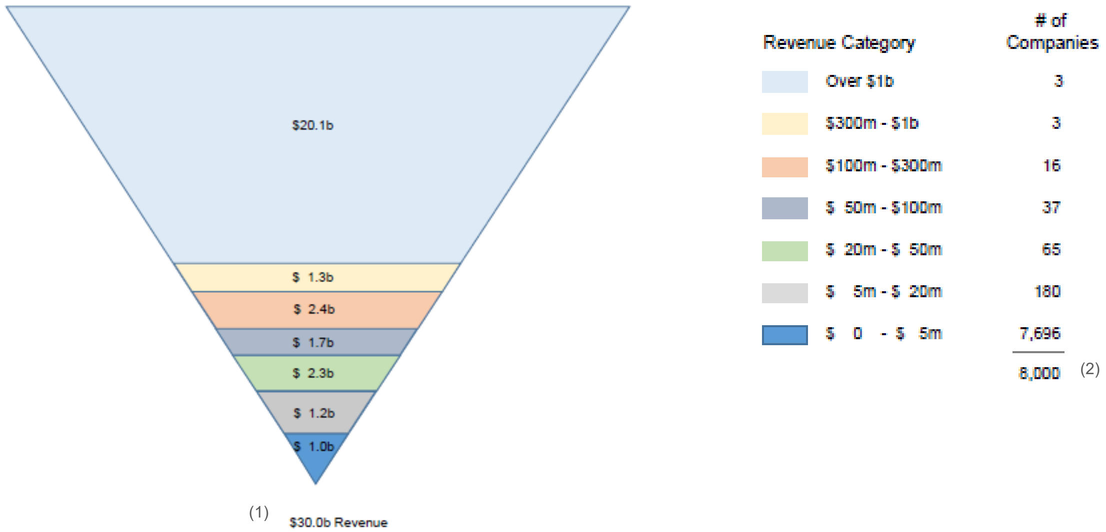
Operating expenses: All the owners reported an expected increase in insurance costs. Most of the companies are presently experiencing a large increase in providing vehicles, the largest effect on the companies with a large vehicle patrol offering. The companies also reported a supply chain issue – especially in the areas of uniforms and technology equipment.

Outlook: All the owners were very optimistic about the future. The need for security will definitely increase as our country continues to experience the large uptick in mall and school shootings and the municipalities continue to outsource the police function. The owners expect the labor shortage to improve, thus providing better margins going forward on this new business.

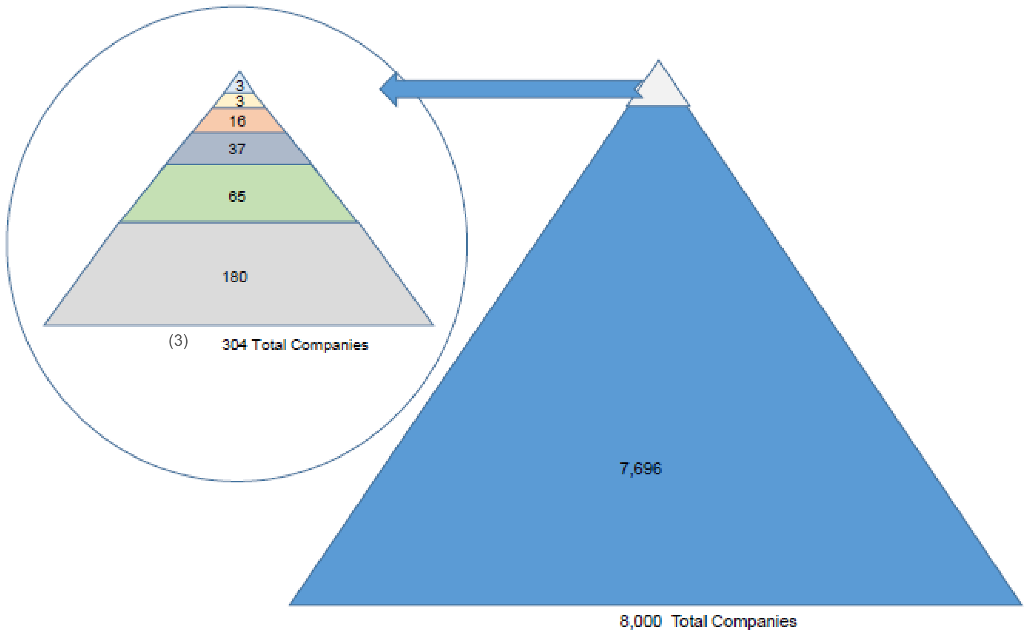
MARKET

Revenues and Numbers of Companies in Charts

Market Size in Dollars



Number of Companies



1. Estimated - See page 42 of this report
2. Arithmetical function to come to the 8,000 companies and $30.0 billion revenue
3. Information from annual reports and files of Robert H. Perry & Associates, Inc.

MARKET

The 10-Year Revenue and Growth Trend

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

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

The Size and Growth of the Market Today

Two years ago, the large reporting agencies pegged the size of the North American outsourced contract security market at $32 billion. Historically Canada and Mexico have represented a little over 10% of the market, leaving the U.S. portion a little over $28 billion.

Today, the market size and growth rates in terms of billings are increasing more dramatically than in the past 10 years. A significant amount of the increase is still coming from an increase in billing rates to customers to offset, or partially offset, the rapidly rising cost of labor. Based on the reports of the public companies and information provided by owners of privately held companies, we estimate that the total ***North American market is now around $34 billion*** – with the approximately ***8,000 U.S. companies representing $30 billion*** of this amount [not including Securitas' purchase of Stanley Black & Decker's systems integration business that consummated last month, which, when fully integrated, will add an additional $1 billion to these figures]. The $34 billion represents an increase of over 6% and 7% for North America and the U.S., respectively. We are not including cash-in-transit (armored vehicles) – other than for Garda. We're also not including "pure play" Federal government security providers. This Federal market is very large, making it difficult to quantify in terms of security spend in 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.

Additionally, we estimate the size of just the manned guarding services included in the $30 billion U.S. market to be approximately $27 billion when the estimated $3 billion in electronics and systems integration revenues coming from the large companies are taken out.

MARKET

Also, there's an estimated ***$15 billion of potential revenue*** from companies presently providing their security function through in-house security personnel. These companies are starting to explore taking their security functions to the outsourced contract market, especially to the larger security companies that offer stationary security officers in conjunction with integrated guarding and Artificial Intelligence. They now deliver a much more effective security function and better-trained officers than that provided by their in-house security department

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

There are still many sources reporting around 10,000 individual contract security companies in the United States alone, with 1 report indicating 14,000 companies. We believe these figures are somewhat inflated for the following reasons: 1. the figures were compiled from reports using NACIS codes and in some instances, investigative and other small companies not offering traditional con- tract security services are included in the 561612 classification (see our detailed analysis on the number of PPP loans issued on page 53 of this report), and 2. duplication in counting - some reporting agencies are counting branch offices of a national, multi-office contract security company as separate companies.

Our firm has been building a database of U.S. contract security companies for more than 25-years, and has identified approximately 6,000 single companies that employ more than 100 personnel and provide mostly contract security officer services. We feel that our database is reasonably accurate, and when the companies employing less than 100 personnel are added, the total number of companies offering contract security officer services is in the 8,000 range. Although there's been a significant number of small companies sold over the past 10 years, we estimate an equal number of start- ups, therefore, we will continue to use 8,000 as the estimated number for the total U.S. contract security companies throughout this report.

In spite of the fact that the market is very large, it's also very fragmented and there's very little public information on the financial performance and the operating practices for the privately held companies. We have, over the past 25 years, come to learn that this lack of public information is due primarily to the nature of the business and the owners' mindset. It is, after all, the security business, which by definition, operates under a code of secrecy. There are no associations of contract security companies that accumulate and publish financial statistics on the industry.

Number of Employees

It remains a challenge to find credible information on the number of people working in the outsourced contract security market in the United States. The report by the Bureau of Labor Statistics issued in May 2021, supposedly as the pandemic was waning, and the most widely quoted source for the security Market, indicates a total of 1,057,100 "Security Guards" - up from 1,054,400 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 above, although there's been a dramatic increase in the market in terms of revenue, an insignificant amount has come from businesses that previously did not need security or companies with an in-house security force turning to contracting out its security function.

After taking this into consideration and the fact that there has been some increase in the workforce, we're pegging the number of security officers in today's market at 830,000. This estimate is based on a ratio of employees to total revenue as reported by the large companies, along with our estimate of the number of employees for the smaller, non-reporting companies, after adjusting for more part-time employees in this latter category.

Outsourced Security Personnel vs. Public Police Force

According to a February 2, 2021 "Statista" report, there were 675,734 public police officers in the U.S. in 2004 and at the end of 2019 there were little less than 700,000, which at 830,000 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 in 2020 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.

Employee Compensation

The May 2021 Occupational Labor Statistics report indicated that the median wages for contract security officers were approximately $15.13 per hour worked (down from $16.52 in 2020); and $31,470 for full-time gross annual pay (down from $34,360 in 2020) . These figures also 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 since the reports were compiled, the rates have been 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 Four 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 are now off duty, or retired, policemen to fill the posts requiring an armed security officer. ***This market is increasing dramatically***. 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.

Our country and the world have gone through unprecedented times in the past 19 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), school and mall shootings, the war in Ukraine, and the latest challenges being the run-away inflation that may result in a recession. All this upheaval caused a large increase in our awareness of the need for more effective security - exhibited in the form of in-house security being converted, or supplemented by, outsourced security, as well as existing customers demanding a more effective security offering.

Customers Giving Less "Push Back" to Bill Rate Increases

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

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

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

New/Expanding Vertical Markets

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

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

Closed Communities – these communities are an offshoot of the "Community Watch" program started in many cities several years ago – except the eyes for the community is a private security company instead of the citizens. It can also be described as a "gated community" without a gate. It's primarily in very wealthy communities, where the residents are not satisfied with the security offered by the local government.

Companies With In-House Security Converting to Outsourcing

Companies providing their security in-house remains at 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 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 and Allied Universal started several years ago investing heavily in the training and technology necessary to handle this more demanding area of security and are now reaping some of the rewards of their investment through an increased number of new customers that previously provided their security in-house. Many experts in the security industry are predicting the ratio of outsourced security to the total market will grow dramatically in the near future; although our recent survey did not reveal much of this is happening – yet.

Legalizing Cannabis at the Federal Level

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

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

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

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

In mid-2020 , the Federal government added a $600 per week supplement to the existing state unemployment benefit to people out of work caused by the Pandemic. When the $600 ended in March of 2021, it was replaced with a $300 per week amount that lasted six more months. 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. According to a report by the University of Chicago and American Action Forum" . . . 60% - 70% of individuals on unemployment were making more than they did in their last job thanks to the Federal supplement – and the bottom 20% of wage earners were making, on average, double what they made before". Now that the economy has opened back up and the unemployment checks have dramatically diminished, the people previously working as security officers have gone to other industries paying more money and offering better benefits. Some of the large companies such as Target, Amazon and Walmart are presently recruiting at levels far above the $15 proposed minimum wage. All the owners we interviewed indicated they were still having labor shortages even though they have had to increase guard pay $3 - $8 per hour to compete with these large retailers – resulting in an immediate hit to the bottom line until they could get the customers to agree to a hourly rate increase to offset, or partially offset, the increased wages going to the guards.

The goods news is that now that the child care assistance and rent subsidies have ended as of July 2022, at least some of the guards are coming back although at a "trickle" pace for now.

State Unemployment Tax Increases Will Roll Out Soon

Given the amount paid out during the pandemic, the state unemployment funds have been drained. The states will be accessing a higher rate to the companies operating in that state and the increase could be dramatic. Usually states are about 18 to 24 months behind accessing the new rates from the time the funds start being paid out to the time of the increase in the rate.

Possible Expanded Affordable Care Act

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

MARKET

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

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

Chicago is the only venue we could find, so far, that has specifically included security services under its list of businesses required to meet the standards of the Act. 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 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 believed that the law may become more stringent once the labor market improves.

MARKET

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

Our country is presently experiencing the highest inflation in over 40 years. As a reference point, the inflation rate in January 2019 was 1.5% and in June 2022, it was 9.1%. The increase in the rate prompted the Federal Reserve to start a series of interest rate increases in an effort to slow down the inflation. The increases are being rolled out in frequent intervals. The Fed implemented a 0.75 percentage point increase in June (2022), followed by a second 0.75 percentage point in July, with more hikes likely in the near future. This increase in borrowing money will mean more expense for security companies financing patrol vehicles, monitoring equipment and uniforms. It would likely mean a decrease in the amount the pro-active buyers are paying for their acquisitions.

The Inflation Reduction Act

The Biden administration has been trying to get the "Build Back Better" bill passed for almost two years now. It started out being almost $3 trillion and was expected to pass around the first of 2021. If the bill had been passed in its original form it would drastically increase corporate and individual taxes – causing even more pressure on the rising inflation.

The bill has now been greatly watered down to $740 billion; the exact details of which hasn't been laid out as of the publishing of this white paper report. However, what's been revealed is that there are increases in taxes on corporations with large profits and no changes to the capital gains rates or carried interest on investments made by Private Equity Groups. It's supposed to go to the President's desk for signing on August 12, 2022. Many in congress are predicting that the new bill, although greatly watered down from the original version, is still inflationary and even more likely to throw the country into a deeper recession.

MARGINS

MARGINS

- **Our economy was shutting down due to the pandemic**
- **The Federal government stepped in and helped the affected businesses stay afloat**
- **The government also gave the employees an incentive not to work**
- **Manned guarding companies were turning down new customers, and additional work for existing customers, because they did not have the personnel to fill the posts**
- **Non billable overtime reached unprecedented highs**
- **As government benefits are starting to run out, and job opportunities outside the guarding industry are starting to diminish, the guards are coming back – not in masses just yet – but the flow is encouraging. Larger companies are seeing increased margins through enhanced need for security in malls, schools, places of worship and public events.**

How our Government helped businesses during the Pandemic:

Even though this White Paper report covers, for the most part, the 19-month period from January 2021 through July 2022, knowing what the government did to help companies during 2020 is important to our understanding of the present economic conditions.

At the start of the pandemic shutdown in March and April of 2020, most industries were faced with "potential" revenue and profit declines – which eventually became a dismal reality to sectors such as transportation, sports and entertainment, in-store retail and hospitality. This meant companies within these sectors, or contractors that furnished goods and services to these sectors, would be faced with having to lay off employees – a move that would just add to the already dismal economic blow caused by the pandemic.

As a way to help these companies keep their employees out of the unemployment lines, the Federal government immediately started providing loans to pay these affected employees, since the revenues and profits of the companies they worked for were being adversely affected by the pandemic. The loans were rolled out under a government plan called the "Payroll Protection Program" (PPP). The loans were made available to a wide class of industries, including security guard companies. The loans would come quickly and would be very easy to get.

MARGINS

I. The Payroll Protection Program

Initially, the most widely known qualification to obtain the loan was that the company had to have less than 500 employees with the possibility of having to lay off a substantial portion due to the pandemic. The application to get the loan was very simple – just two pages asking for a limited amount of information and signed by the borrower. The borrower sent the form to a commercial bank (usually its own bank), which in turn approved it and sent it to the Small Business Administration (SBA) to approve and send back to the bank. If approved, and most applications were, the bank then gave the borrower the monies requested and the SBA guaranteed the repayment to the bank if the borrower defaulted. But in most cases, the loan was fully or partially forgiven, in which case the SBA reimbursed the bank for the forgivable portion.

However, there was another qualification standard: companies with less than $15 million of net worth and no more than $5 million of average earnings over the past 3 years also qualified for the loan up to $10 million. And we know of many large contract security companies that received the loan under this higher qualification standard.

Under both qualification benchmarks, the loan amount was 2.5 times the average monthly payroll for the year 2019. This meant that a company with a yearly payroll of $12 million (about an $18 million gross revenue company), would get a loan of $2.5 million. And the loan was forgivable if the company kept a certain large percentage of its employees for a 3 – 4 month period after receiving the loan in 2020. At first, the government said the loans would be taxable, then around the end of 2020; after much back and forth amongst the law makers, the government declared the forgivable portion of the loans as non-taxable. This amounted to a huge "gift" to the companies that got all, or most if it, forgiven – equal to about 130% of the forgivable amount on a taxable basis

As the loan process was well under way, the government got pressure from a lot of taxpayers to clamp down on those who received the loans and did not need it. Some companies, facing embarrassment and the possibility of stiff penalties, sent the monies back. In early 2022, President Biden appointed a CARES Act czar, who, along with his team, is responsible for searching out companies that received the loan under fraudulent basis. According to a July 12, 2021 issue of the ***Journal of Accountancy,*** the Small Business Administration made over $800 billion of PPP loans to many different industries over the 14-month period. Today, although most of the loans have been forgiven, those companies who received the forgiven loans are still not home free. The government has six years to verify the validity of the loans even if already forgiven.

We reviewed a detailed report issued by federalpay.org, which indicated that 13,457 loans totaling $1.4 billion (out of the $800 billion) went to companies, sole proprietors, and individuals reporting under NAICS code 561612 - "Security Guards and Patrol Services". There were 6 loans for $10 million (the maximum available). There were also many companies that received more than one loan draw, and a significant number of companies with less than 50 employees.

II. Payroll Tax Payment Deferral

The Federal government also allowed companies to defer payments on its payroll taxes for several months. This is NOT a forgivable amount, but a ticket to defer the payment. In fact, Securitas announced that it deferred paying some of its payroll taxes – it looks like to the tune of over $150,000.

III. Payroll Support to Air Carriers and Contractors

Another huge "gift" came to the companies that provided services to airports and airlines.

The Government set aside $32 billion to assist:

- Passenger air carriers – $25 billion
- Cargo air carriers – $4 billion
- Contractors (companies offering security) – $3 billion

Each company that qualified received a reimbursement for six months of payroll for employees working at airports.

While our government was issuing forgivable loans to employers to keep employees on payroll, it was also giving direct aid to the employees; which, in many cases, eliminated the incentive to go to work.

In late March of 2020, about the same time the Government rolled out the PPP program to businesses, it also started providing unemployment benefits amounting to $600 per week. This amount was ***in addition to*** the already $300 - $700 per week (depending on the state) being provided by the state unemployment funds – AND most of the benefits were eventually declared non-taxable – thereby eliminating the economic incentive for most security guards to keep working. The $600 per week Federal subsidy lasted until July 26, 2020, at which time it was replaced with a $300 per week payment and when combined with the state payment, made it more profitable for the officer to stay home than to return to work. Also, there were other benefits provided such as large child care reimbursements and rent abatements (which expired at the end of July 2022).

Also, the contract security companies had to start competing with other industries for labor

This shortage of labor, caused by the enhanced government benefits, 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.

The Labor Market Today and Its Effect on the Margins

Our survey of security company owners indicated that most have suspended paying large hiring bonuses to win back these employees that left; instead they are raising their overall pay rates – and asking the customers for an increase in billing rates to offset, or partially offset, the increased compensation. Many of the customers have agreed to the increased rates, others have agreed to an increase, but not enough to cover the entirety of the pay rate increase with the associated payroll tax and other benefits load. From an industry-wide perspective, we estimate, based on our survey, that the gross revenues associated with billing rate increases for the regional and national companies have grown more than 10%; while the gross wages including the non-billable overtime premium have increased more than 12% - resulting in an estimated margin erosion of around 1.5%. Our survey also indicated that the regional and national companies were more successful in getting the bill rate increases than their smaller competitors.

The charts on pages 57 - 59 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 is 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.

MARGINS

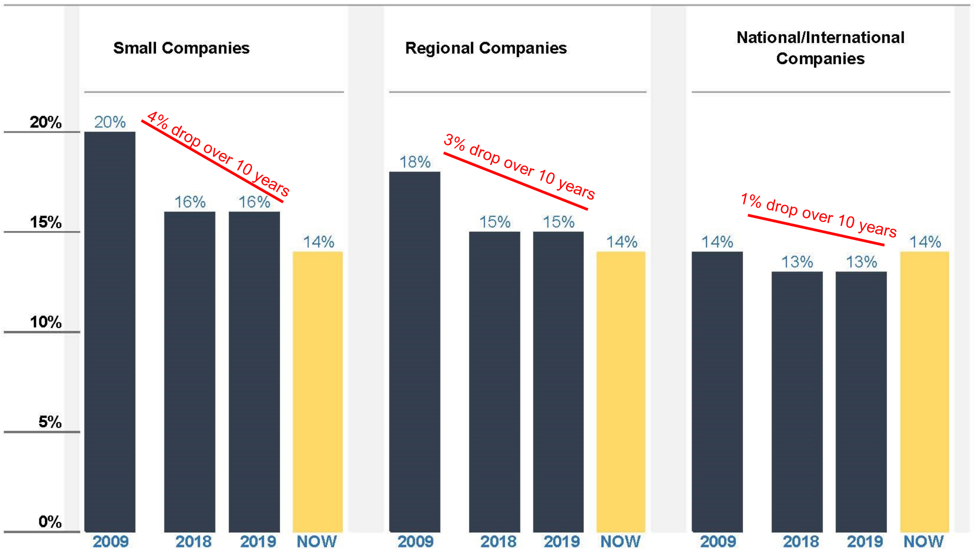
The Larger Companies are Benefiting From New High Margin Offerings.

As for the larger companies, the high margin COVID work that started during 2020 has all but disappeared. Some of the present margin improvement is coming from more revenue from higher margin technology offerings; but even more, new margin is coming from the enhanced need for security in malls, schools, places of worship and public events – all the places that have experienced mass shootings over the past 19 months. For these larger companies, the new margin is more than offsetting the margin erosion from the increased labor cost. In fact, on a global basis, the world leaders are still enjoying gross margins in the 18% range. In the U.S., the margins, although not as attractive as the gross margins for in the “emerging markets”, have also increased over the previous years and is presently around 13 – 14%, about 1 percentage point higher than 2 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.

We added another column in the charts that shows the financial picture NOW - reflecting the negative effect from lingering COVID and positive effect from increased high margin offerings.

MARGINS

Site Level Margin



High non-billable overtime, not passed on to customers.

Some non-billable overtime passed on to customers, but still a lot of billing increase resistance

New high margin work

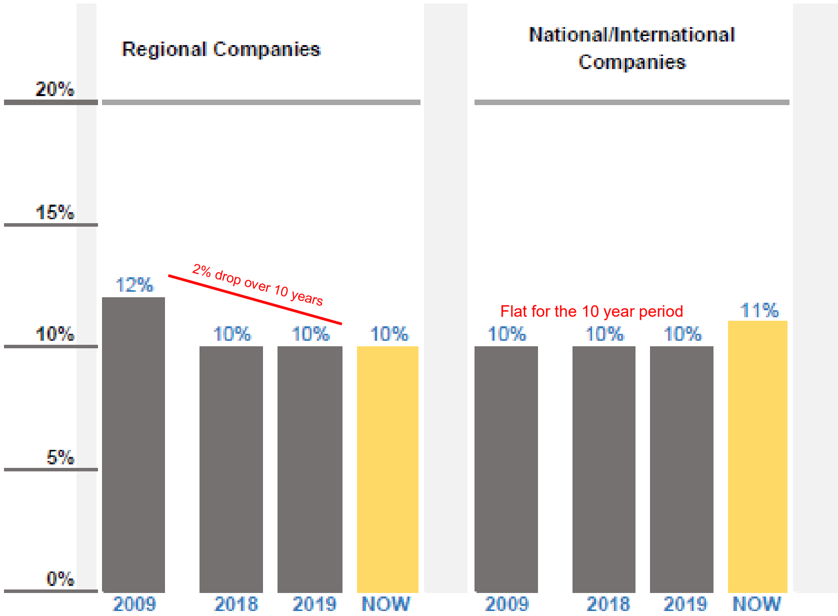
Note:

- 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 60 for definition of terms.

MARGINS

Branch Level Profit



More success than smaller competitors in getting price increase to offset the increase in non-billable overtime.

Higher branch level profit from new higher margin work.

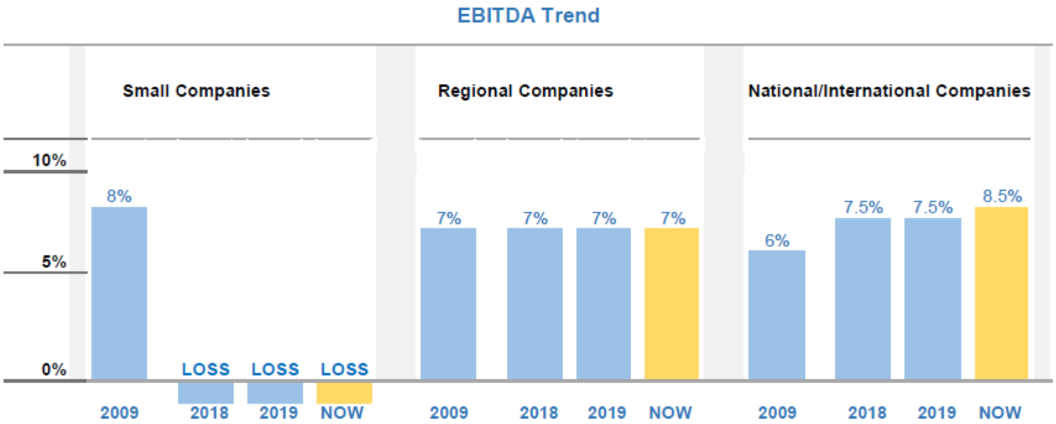
Note:

- 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 60 for definition of terms.

MARGINS

EBITDA Trend



Losses from decrease in gross profit without corresponding decrease in overhead.

Basically no change in EBITDA from historical amount due to continuing "belt tightening" to offset increase in labor cost not reimbursed by customer.

New high margin work raising the EBITDA line.

See page 60 for definition of terms.

MARGINS

Defining Terms on the Previous Charts

SITE LEVEL MARGIN

Direct cost as a percentage of revenue. Direct costs are all costs assigned to the site, such as: compensation for the billable officers, wages for the dedicated non-billable supervisors, uniforms, employer payroll taxes, workers compensation insurance, general liability insurance, employer portion of health benefits, cost of equipment dedicated to the site, union cost, cost for non-billable roving supervisors (not assigned to an account) if there are a lot of "cold start" sites, etc.

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

MERGERS

Reporting Period: Year 2021 up to August 10, 2022

(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 the most active purchasers below.

Following are the 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.

ALLIED UNIVERSAL There for you.

During the year 2021 Allied Universal, with North American revenues of approximately $13 billion, made 10 acquisitions. For the first 6 months of 2022, it made 7 acquisitions - 3 in North America, and 4 internationally. The chart below sets forth the acquisitions of companies with revenues exceeding $100 million annually:

Date Acquired	Company	Revenues	Service Sector
01/21/2021	SecurAmerica	$467M	Manned Guarding
03/16/2021	G4S	$ 5.3B	Manned Guarding and Technology
09/20/2021	MSA	$200M	K-9 Security
11/02/2021	Mallard Group	$125M	Janitorial
03/23/2022	T.S.S. (United Kingdom)	$170M	Manned Guarding
04/05/2022	Attenti Group	$125M	Electronic Monitoring

MERGERS

Reporting Period: Year 2021 up to August 10, 2022
(the date of publishing this White Paper report)

Securitas

Securitas, with 2021 North American revenues of approximately $5.4 billion, continues to purchase primarily systems integration companies in strategic worldwide markets toward its goal of doubling its solutions and electronics sales by the year 2023. During the reporting period, Securitas purchased approximately 20 companies with revenues less than $100 million each. However, Securitas completed its largest acquisition in the history of the company in July 2022 when it bought the systems integration business from Stanley Black & Decker. The purchase price was $3.2 billion for $1.8 billion of revenue (reported to be approximately 16 times trailing profits). Approximately $1 billion of the $1.8 billion represents revenues in the North American market. Magnus Ahlquist, the CEO of Securitas, said this about this historic acquisition" . . . Since the security guard market has a real risk of overall declining this decade, mega-guard companies have to find some other way to build their businesses going forward. Whether or not Securitas paid a premium for this deal, it does provide Securitas the potential to migrate away from guarding to integration and technology, a safer bet for the future." [view the full press release here]

GARDAWORLD GardaWorld , with North American revenues of approximately $1.7 billion, continues to be a very active acquirer. During the reporting period, it acquired, under its security services division 8 companies with revenues less than $100 million each - one company offering executive protection services, three companies providing electronics security, and four companies providing manned guarding services.

Garda World Security announced the creation of Sesami Cash Management Technologies, an innovative cash ecosystem performance and technology company.

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

MERGERS

Reporting Period: Year 2021 up to August 10, 2022

(the date of publishing this White Paper report)

Paladin Security .

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

SOUTHFIELD

Southfield Capital, through its Protos Security manned guarding and off-duty law enforcement portfolio – approximately $500 million of annual revenue – made two significant acquisitions during the reporting period: Off Duty Services and Mulligan Security. The press releases on these acquisitions did not mention the revenues, but the expansion into the growing off duty and retired police officer market signifies an important expansion of new markets for Protos.

TARIAN Group

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

QUAD-C

In September of 2021, Quad C, a leading middle market private equity group, announced a growth investment in Titan Security Group, a leading Midwestern contract security company established in 1994. Although the news release did not reveal the revenues of Titan, it is estimated that the revenues were around $125 million annually.

Defining Private Equity Groups

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

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

Private Equity Groups Investing in the Contract Security Market

Traditionally, the PEGs interest in the security sector was mostly centered around the biometrics and electronic security businesses, since these companies carried larger margins with less liability than the traditional manned guarding companies. But this has changed as evidenced by the chart on page 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 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, 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 67).

MERGERS

COMPANY	PE PARTNER	DATE INVESTED	OVERVIEW
Allied Universal	Warburg Pincus; Partners Group; J. Safra Sarasin; CDPQ	Various	All of the Private Equity Groups are co-investors and own collectively about 90% of Allied Universal.
Security Solutions of America; GuardOne Security	Capitala	June 2015	Capitala has a significant investment in Security Solutions of America - the parent company of Guard One Security.
PPS	Sunlake Capital; Mangrove Equity Partners	December 2018	Sunlake partnered with Mangrove Equity to form PPS, a contract security platform specializing in Private Security and Off-Duty Law Enforcement.
Protos Security	Southfield	March 2019	Southfield Capital formed Security Services Holdings to pursue a roll-up strategy of manned security guard companies, off-duty law enforcement companies, and tech-enabled security solutions alongside its platform acquisition of Protos Security.
GardaWorld	BC Partners	July 2019	BC Partners owns 51% of GardaWorld, with Stephan Crétier, the CEO, together with select members of management owning 49%.
Regiment Security Partners	Cold Bore Capital	July 2019	Regiment Security Partners is the new brand for several strategic contract security company acquisitions made by Cold Bore Capital.
Titan Security Group	Quad-C	September 2021	Quad-C Management, Inc., a leading middle market private equity firm completed a growth investment in Titan Security Group, a large contract security company headquartered in Chicago.
Tarian Group	Nautic	March 2022	The Tarian Group is teamed with Nautic Partners (a Providence Rhode Island private equity firm) for purposes of growing a national security services company specializing in the commercial, aviation, and healthcare security services sectors.

MULTIPLES

THE MULTIPLES BEING PAID FOR ACQUISITIONS ARE “MOSTLY” DRIVEN BY PRIVATE EQUITY GROUPS (PEG’s)

MULTIPLES

One notable transaction in the last 19 months, not involving a Private Equity backed buyer

In July 2022, Securitas announced the acquisition of the electronic security solutions business from Stanley Black & Decker. Securitas paid $3.2 billion for this $1.8 billion revenue business – a reported multiple of 16X trailing adjusted EBITDA. Securitas will be paid a much higher multiple for this very strategic acquisition than the private equity groups are paying for large mostly manned guarding companies. Over eight years ago, Securitas set a goal of having over 25% of its revenue coming from technology based service offerings and this acquisition will enable it to surpass that goal; also allowing it to be less dependent on labor intensive service offerings. [see full story on this acquisition on page 63]

The large private equity groups entered the market about twenty years ago

The contract security space has been an attractive investment for aggressive private equity groups starting back in 2003, when Allied Security was acquired by MacAndrews & Forbes – a very large financial group managing billions of dollars in invested capital. Allied would go on to make several tuck in acquisitions until it bought Barton Protective, with revenues over $300 million in 2004; at which time it changed its name to Allied Barton.

There would be several large transactions priced at 8 – 9 times the seller’s EBITDA leading up to the sale of Allied Barton in 2015 when the Wendel Group, out of Paris, paid a then unprecedented multiple of almost 12X EBITDA for Allied Barton. This acquisition set the bar for acquisitions that followed with Allied Universal’s acquisition of U.S. Security (a $1.5 billion company) and SOS Security (a $600 million company) coming in at multiples of 10 – 12X EBITDA. And even though Wendel paid a high multiple for Allied Barton, it received almost 2.5 times its original investment when it sold its holdings to CDPQ, out of Montreal, in 2019.

Then came the historic transaction in April of 2021 when Allied Universal won a head to head auction for G4S, and paid $5.3 billion (approximately $8 billion on an enterprise value basis) - coming in at over 11X EBITDA (almost double the trading value of G4S six months before this acquisition).

Will these huge multiples hold up? It depends: the increased need for security will certainly make the contract security industry a favored investment sector for the private equity groups seeking better returns for their investors in these uncertain economic times. Conversely, the increased interest rates brought about by the highest inflation in four decades may cool the acquisition market as it becomes more expensive for the aggressive buyers to buy. The crystal ball for acquisitions is not offering much guidance on what we might expect as our economy makes many adjustments over the next several months.

THE MULTIPLES BEING PAID FOR ACQUISITIONS ARE "MOSTLY" DRIVEN BY PRIVATE EQUITY GROUPS (PEG's)

MULTIPLES

Historically, these large private groups have been very good for the security industry. After Securitas bought security giants such as Pinkertons, Burns Security, First Security and American Protective Service around the year 2000, it stopped making acquisitions in the plain vanilla guarding space. Group 4 bought Wackenhut in 2004, and was never a buyer for traditional guarding companies. With these public security companies out of the acquisition market, owners of large privately held companies such as: Guardsmark, Barton Protective, Summit Security Services, FJC Security, and SecureAmerica would not have been able to maximize their selling value if it were not for the aggressive Private Equity Groups in the buying market.

Also, the private equity monies made it possible for large and medium sized companies in their portfolio to expand their menu of services to include the integrated guarding and other technologically advanced offerings customers are demanding today. The monies obtained through traditional lending options would usually cost more than the company owners are willing or able to pay.

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.[see a partial list of these companies under "Mergers' on page 64. ***Some*** of these small PEGs competed at multiples at least as high as what the synergistic buyers (large security companies owned by private equity) were paying, even though the PEG's return on investment in the short term would 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 investors in ***many*** of the small PEGs, however drew the line in what multiples they would pay and terms they would give, thereby putting the small PEG at a disadvantage against the more financially qualified larger PEG.

THE MULTIPLES BEING PAID FOR ACQUISITIONS ARE "MOSTLY" DRIVEN BY PRIVATE EQUITY GROUPS (PEG's)

MULTIPLES

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

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 $16.3 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 - all discussed in other sections of this White Paper.

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.

MULTIPLES

There's not a one size fits all baseline for describing the multiples being paid for the smaller companies. Some of the more experienced buyers already know how much it should cost in overhead to run an efficient office. These buyers are computing their offering price based on multiples of the seller's ***gross profits*** (the profit at the site level). This gives these sellers the benefit of the redundant cost eliminations made by the buyer and often results in a very attractive price for a company that's only marginally profitable or actually losing money. Other, mostly new buyers in the industry, will apply the multiple to the seller's reported EBITDA with conservative add backs – usually resulting in a much lower offer than what the more experienced buyer will make; even though the multiple against gross profits is lower than the multiple against EBITDA.

Although the multiple – whether computed on gross profits or EBITDA - has increased significantly over the past five years and has now leveled off to a very attractive figure, some companies, even though growing, are worth less today than it was worth a couple of years ago, due to higher labor costs eroding the margins and bottom line. The aggressive buyers today are analyzing the purchase target based on what it's doing now — with its lower than normal margins. They are not looking at what the company 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 – if at all. As mentioned above, the multiple for some acquisitions has now reached the buyer's "build vs. buy" model threshold, 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.

GLOSSARY

GLOSSARY OF TERMS

CAGR - Compound annual growth rate

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

EBIT - Earnings before interest and taxes

EBITDA - Earnings before interest, taxes, depreciation and amortization

EPS - Earnings per share

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

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

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

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

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

Organic Growth - Growth exclusive of acquisitions

ABOUT US

ABOUT ROBERT H. PERRY & ASSOCIATES, INCORPORATED:

For over 2 5 years we have successfully completed over 250 sell-side engagements for security companies located in 8 countries and having revenues between $2M - $250M.

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