

CONTRACT SECURITY INDUSTRY 2024 REVIEW - 2025 OUTLOOK



ROBERT H. PERRY
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2024 REVIEW—2025 OUTLOOK

OVERVIEW

The “Contract Security Industry” by definition includes companies or individuals offering security under a written or oral agreement such as: manned guarding (security guards, security officers), alarm monitoring, system integrators, video monitoring, investigations, and cash in transit; as well as any facet of Artificial Intelligence having to do with security.

This year-end report, as well as our mid-year white paper, primarily covers the pure play manned guarding companies which may also have some revenues coming from the above mentioned service offerings.

The 2024 year: As indicated in our [16th edition white paper on the security market](#), 2024 was a good year in terms of growth for the manned guarding sector of the industry – showing about 5% annual growth in *overall revenue* coming primarily from increase in billing rates to customers, with an insignificant amount coming from acquisitions of security companies previously reported in another segment of the security industry. The discussions regarding new technology replacing or enhancing the manned guarding function intensified in 2024, but no indication that either is presently having a significant impact in the present market.

The 2025 outlook: Just as in 2024, 2025 is coming with a significant need for enhanced security. There are still concerns over mass shootings in schools, malls, and public venues; racially and politically motivated demonstrations, and riots; cybercrime; artificial intelligence being used for harmful purposes; “smash an grab” thugs costing our retailers billions of dollars – and ultimately costing the consumer; as well as an upsurge in illegal immigrants crossing our borders. Most recently, the events that have sparked an increase in the need for more and better security have been the shooting of the United Healthcare CEO and the alleged terrorist attack in New Orleans on New Years Eve killing 15 people including the attacker.

It’s too early to tell what all this increased need will mean to the real growth in the manned guarding sector of the industry, but just in the last couple of weeks many medium to large sized manned guarding companies have reported increased calls for security coming from companies concerned over the safety of their executives and employees.

One of the most compelling articles pointing to a real increase in the manned guarding sector came in a recent LinkedIn posting that listed “security guards” as the 10th fastest growing job category – with only two security related job classifications toward the front of the list - Artificial Intelligence Engineer (#1), and Artificial Intelligence Consultant (#2). If the research behind the article holds true, 2025 will be the first in several years where the increase in terms of revenue will be coming from increased billable hours and not just increased billing rates to customers.

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INFORMATION ON THE FOUR WORLD LEADERS

The information on the following two pages delineates the results of the four largest contract security companies having global revenues over \$2 Billion each, with a significant presence in the U.S. market. Note that each indicates growth for the 2024 year based on the latest published financial reports, or other sources as in the case of Allied Universal- which does not publish its financials in the public domain.



Present U.S. revenue run rate \$13.5 bn+
Growth rate 4%



Present U.S. revenue run rate - approximately \$5 bn
Growth rate over 3%



Present U.S. revenue run rate – approximately \$600 M
Growth rate 25%



Present U.S. revenue run rate - approximately \$3 bn
Growth rate – approximately 20%

These companies have a combined footprint in over 200 countries and 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 public.

Based on the projected growth of these mega companies, along with interviews with the owners of their smaller competitors, we project a 5% conservative increase for the year 2025.

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(Monetary amounts in U.S. dollars)

Financial Statistics:

- **Revenue** - Global over \$21 bn
U.S. approximately \$13.5 bn
Adjusted EBITDA 8%
- **Gross Profit** - Over 18% (1% improvement over the 2023 year).
- **Adjusted EBITDA** - Over 8%, up from 7.8% in 2023
- **Organic Growth** - 4% in 2024, down from 5% in 2023. Also, customer retention dropped to 92% from 95% in 2023. Both from a disciplined approach to pricing and focus on margin improvement; as explained by management.

Sources: S& P Global, Moody's, Bloomberg, News Releases, and Management



From 09.30.24 Interim Report

- Worldwide annualized revenue approximately \$15.8 bn
- North America annualized revenue approximately \$6.2 bn
- Worldwide revenue growth: 9 months 4%
- North America revenue growth: 9 months 2%
- Worldwide revenue growth: Q3 NIL
- North America revenue growth: Q3 2%
- Worldwide organic growth: 9 months 5%
- North America organic growth: 9 months 3%
- Worldwide organic growth: Q3 5%
- Worldwide technology revenues: 32% of total sales
- North America technology revenues: 38% of total sales

Note: the above revenue and growth includes the effect of acquisitions, divestitures and foreign monetary exchange conversions.

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(Monetary amounts in U.S. dollars)

From 09.30.24 Interim Report

- Worldwide annualized sales: approximately \$4.9 bn
- North America annualized sales: approximately \$600 M
- Worldwide revenue growth: 9 months 6.4% (after considering 37.1% organic growth and –30.5% effect from converting foreign to local currency).
- North America revenue growth: Prosegur does not detail the North America revenues in its financial reporting, but it's estimated that the revenues are approximately \$600M annualized with 25% organic revenue growth for the 9 months.

GARDAWORLD

From 10.31.24 Interim Report

- Worldwide annualized revenue: \$4.8 bn
- Canadian annualized sales: \$1.3 bn
- U.S. annualized revenue: \$3.0 bn
- (1) Worldwide revenue growth: 9 mos. 11%
- (1) Canada revenue growth: 9 mos. 6%
- (1) U.S. revenue growth: 9 mos. 16%
- (2) Worldwide revenue growth: Q3 13%
- (2) Canadian revenue growth: Q3 7%
- (2) U.S. revenue growth: Q3 20%

Note: the above revenue and growth includes the effect of acquisitions, divestitures and foreign monetary conversions.

(1) Compared to 9 months 2023

(2) Compared to Q3 2023

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Mergers & Acquisitions

Pure Play: “A company that focuses exclusively on a particular service in order to obtain a large market share”

2024 Transactions in the Pure Play Manned Guarding Sector:

In 2024, we tracked over 30 sale transactions, most unannounced, of pure play manned guarding companies with revenues less than \$100 million each. These were transactions initiated by our firm, and other brokers, as well as non-brokered transactions. There were three pure play manned guarding transactions for sellers (or merging companies) with revenues over \$100 million each. Each transaction offered the selling or merged company growth opportunities through increased financial resources to enter new geographic markets, meet customer demand for new security offerings, and compete with the giants in the industry.

- On August 04, 2024, [Sunstates Security](#), a \$300 million revenue company headquartered in Raleigh, North Carolina partnered with [Trilantic North America](#), a Private Equity Group with \$11 Billion of capital commitments. Sunstates derives most of its income from manned guarding services and has accomplished a compounded annual **organic** growth of 25% over the last ten years.
- On September 16, 2024, [Titan Security Group, LLC](#) and [Marksman Security Corporation](#) announced a merger of the two companies, with [Quad-C](#) being the financial partner supplying the financial resources for continued growth. The revenues of the merged companies, now having a national footprint, will be approximately \$500 million. Quad-C, founded 30 years ago, has \$4.5 Billion invested in its portfolio companies.
- On November 11, 2024, , [ICTS Europe](#), headquartered in France, acquired [First Coast Security](#). The acquisition established First Coast as the North American corporate security business unit of ICTS. ICTS made its entry into the US market in 2017 through an acquisition of Gate Safe, headquartered in Atlanta, Georgia – a wholly owned subsidiary of [Gate Group](#) of Zurich, Switzerland (revenues approximately \$5 Billion) [a transaction initiated and managed by Robert H. Perry & Associates]. The purchase of First Coast will bring ICTS’ global revenues to approximately \$1 Billion coming from 25 countries.

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2025 Outlook for Mergers and Acquisitions of Pure Play Manned Guarding Companies:

We anticipate a more active year in 2025 in acquisitions of pure play manned guarding companies for the following reasons:

- Previously active buyers, who paused in 2024 waiting for lower interest rates, now accept that a Fed rate of 4-5% will be the new normal. They will come back to the buying arena, but with a more conservative pricing model to adjust for the higher than historical interest rates.
- The increased demand for security at schools, public events, and other high-risk venues has attracted the interest of private equity investors. In support of this comment, our list of private equity firms looking to make an investment in the manned guarding space has increased dramatically over just the past six months, and they have lowered the size target as their flagship entry into the manned guarding market.
- Some of the private equity firms that started their roll up of manned guarding companies over five years ago are now at the point of needing to sell and distribute the profits to the investors in the fund.
- The owners of the small to medium sized companies are starting to realize the challenge in competing with the larger companies with the financial resources to expand the service offering into the technology needed to grow the company and satisfy the present customers.

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Buy/Sell Activity in the Alarm/ Systems Integration Sector of the Security Industry:

We do not follow this segment of the security industry as closely as the manned guarding sector, except in instances where manned guarding companies are offering services traditionally offered by this sector. To get a better picture of the M&A activity in the traditional electronic/technology sectors, we went to the Security Dealer Magazine (SDM) to see what it published on the M&A market for these companies. Below are bullet point comments offered by some of the contributors to a recent SDM survey (quote marks deleted):

- [Pye-Barker](#) was leading the pack in number of acquisitions for 2024 coming in at over 30 transactions for the year. Since Altas Partners' majority investment in the company in June 2021, it has added more than 100 dealers in this industry. Today it operates nationwide with 8,000 employees across more than 250 locations and is headed to be the largest in the industry. As an underscore to this commitment, in January 2025, Pye-Barker raised additional capital for increasing its technician workforce investment, enhancing its service to customers and enabling more smart growth through acquisitions.
- Professionals in the space say that equity capital through both private equity firms and corporate buyers, as well as debt capital, is well-supplied and there isn't too much concern about higher interest rates due to recent rate cuts. These factors help set the stage for a healthy level of M&A in security in 2025.
- Most of the contributors agreed that now is a good time to sell while there's plenty of acquisition funds in the market.
- Les Gold, a prominent transactions lawyer and the author of many legal articles for SDM, commented on the influence artificial intelligence may have on the security industry. He mentions the need to stay up with technology, a concern on the minds of most of the owners of small companies; hence their desire to put their company on the market to sell. [**RHPA Note:** this concern holds true with the owners of many manned guarding companies as well].

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Market, Margins, and Multiples

The following provides an overview of the Pure Play manned guarding companies, including those that also offer technology services:

The Market

In 2024, the run rate revenue for companies in the North American market was approximately \$37.8 billion, reflecting an increase of \$1.8 billion compared to 2023. A significant portion of this increase came from higher billing rates for existing customers. The U.S. market alone accounted for about \$34.5 billion. When considering the \$4.3 billion in electronic security and systems integration revenues, the manned guarding segment of the U.S. contract security market stands at around \$30.2 billion.

For 2025, we project a conservative 5% increase in market size, based on reports from the BIG 4 companies and interviews with owners of privately held companies. This growth is expected to come from:

- Increased billing rates to cover rising insurance costs, especially in high-liability vertical markets.
- Expansion in the private/public markets as municipalities increasingly turn to private security to supplement or replace their existing security forces.
- Growing needs of existing customers and first-time security outsourcers due to the rise in domestic and foreign terrorist incidents.
- Continued increases in security requirements for schools, public events, and executive protection.
- Traditional pure play manned guarding companies enhancing their technology offerings to better serve the demanding needs of their customers.

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The Margins

Gross Profit

In 2024, Gross Profit Margins ranged from 16% for small companies, 17% for regional companies, to over 18% for national/international companies. We project that margins for small companies will remain the same or possibly decrease slightly in 2025 due to rising insurance costs. Small companies are often reluctant to request higher billing rates to cover these costs for fear of losing customers. Large companies, however, are typically more successful in securing bill rate increases to cover additional costs.

Earnings Before Interest, Taxes, Depreciation, and Amortization (EBITDA)

EBITDA margins vary between company sizes and depend on how efficiently companies structure their branches. The average EBITDA is around 7% to 8%, but companies that can service a large volume of business with a limited number of branch offices reported EBITDA margins of 12% or higher in 2024. We expect margins to remain about the same for large companies in 2025 as they continue to embrace the higher profit margin technology offerings to offset rising insurance costs. Small companies, however, may see a decrease in EBITDA margins as they are less likely to invest in technology.

The Multiples . . . For closely-held companies providing security to the commercial (and not government) market

Although the purchase prices for larger deals in 2024 were not published, we estimate that prices, expressed as a multiple of EBITDA, were in the 10X range or higher. Smaller company transactions commanded multiples in the 5X to 7X range on conservative recast figures. We anticipate that multiples will increase slightly in 2025, despite higher interest rates for borrowed acquisition funds, as buyer competition intensifies, driven by new Private Equity Groups showing interest in the security market.

ABOUT ROBERT H. PERRY & ASSOCIATES, INCORPORATED:

We have managed over 300 sell-side engagements for owners of privately-held companies located in 8 countries having revenue from \$2 million to over \$250 million.

We have consulted with Private Equity Groups in their bids for companies with revenues over \$2 billion

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