

# Business Service: Security Services Industry

Q1 2023

## 2023 Outlook: Physical Security and CRE Services

Merger and acquisition (“M&A”) activity has remained strong through the beginning of 2023 after record activity in 2021 and 2022. Companies focused on safety and security services have shown resiliency amid significant economic uncertainty as a plethora of tailwinds, asset-light business models, and long-term, recurring service contracts have continued to attract buyer interest and support above-average valuations.

### Key Industry Drivers

- Hybrid work models introduced by COVID-19 remain in place, accelerating demand for higher tech solutions, including zero-touch buildings, access control systems and related smart safety
- Demand for fire, safety and security solutions will increase as rising construction activity resulting from greater public funding, like the CHIPS and Science Act, requires the installation and maintenance of new protection systems
- Property crime fueled by the COVID-19 pandemic has made property owners more cautious about who has unrestricted access outside of normal business hours
- Market is relatively fragmented, with most participants being regional, independently owned businesses, which is conducive to a roll-up acquisition strategy
- The shift to cloud-based, digital platforms has increased demand for interoperability of systems, leading to technological innovations and R&D within security services platforms

### Current Trends

- As labor shortages and supply chain bottlenecks persist, industry participants have pursued M&A opportunities that expand operational resources or gain new capabilities in end markets with more resiliency against economic uncertainty
- Valuation multiples of both publicly traded peers outperform the broader business services industry at 8.7x, as compared to 7.4x. Disclosed M&A transaction multiples since 2018 averaged ~14.5x, reflecting the significant premiums paid for business services companies
- There is robust M&A activity among industry participants, with most of the activity being driven by financial buyers. Private Equity (“PE”) firms have been on a tear, with major platforms such as Pye-Barker Fire & Safety, CertaSite and Sciens Building Solutions combining for 27 acquisitions since the beginning of 2022

### Key Takeaways

- New commercial construction, retrofits and upgrades to existing buildings, and additional regulations will continue to drive the industry
- The industry has shown resiliency to cyclical, given the mandatory nature of fire, safety and security services
- Bifurcated market where higher premiums are paid for businesses with more revenue from inspection, maintenance and repair vs. installations

### Key Contacts



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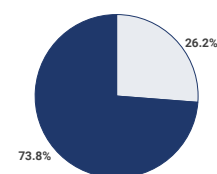
Sources: S&P Capital IQ, IbisWorld, Pitchbook, Griffin Financial Group Research

# Select 2022/2023 Middle-Market Transactions

Closed Date	Target	Acquirer	Buyer Type	Target Business Description
2/7/2023	Ace Sprinkler Company	CertaSite	PE Platform (The Riverside Company)	Provides commercial fire protection services, including fire alarm and sprinkler installation, maintenance, and repair
2/1/2023	Performance Security	Bates Security, LLC	Strategic Buyer	The company specializes in installing and servicing UL-approved monitoring services and systems including intrusion alarms, fire alarms, access controls, camera systems, water flow alarms, sprinkler supervision, and medical alert
1/12/2023	Bevan Security Systems, Inc.	Pye-Barker Fire & Safety, LLC	PE Platform (Atlas Partners LP)	Manufactures, installs, and services fire alarm systems, CCTV, security systems and access control systems
1/12/2023	Reliable Alarm Systems	Pye-Barker Fire & Safety, LLC	PE Platform (Atlas Partners LP)	The company installs fire alarms, access control, security systems, control panels, smoke detectors and digital video recorders
1/12/2023	Short Circuit Electronics, Inc.	Corbett Technology Solutions, Inc.	PE Platform (Wind Point Advisors, LLC)	The company's service offerings include video security, surveillance and access control systems installation and service along with equipment removal, refurbishment and repair
12/21/2022	Signal Fire, Inc.	Sting Alarm, Inc.	Strategic Buyer	Provider of fire protection services catering to commercial security customers specializing in installing and servicing fire systems, alarm monitoring, and inspections
11/9/2022	Comtronix	Pye-Barker Fire & Safety, LLC	PE Platform (Atlas Partners LP)	Provider of fire protection equipment and services, including alarm monitoring, access control, intrusion detection, CCTV, business telephone systems, overhead paging and structured cabling services
10/6/2022	Metro Fire & Safety Equipment Co.	Pye-Barker Fire & Safety, LLC	PE Platform (Atlas Partners LP)	Provider of installation and servicing services for fire extinguishers, fire sprinklers, fire suppression systems, fire and security alarms and safety training
9/27/2022	Knight Security Systems	Mobile Communications America, Inc.	PE Platform (Sentinel Capital Partners, L.L.C.)	The company provides advanced security solutions including access control, video surveillance, intrusion, visitor management and fire detection systems
9/27/2022	Security & Access Systems	Rapid Fire Safety & Security LLC	PE Platform (Concentric Equity Partners, L.P.)	The company offers commercial security and fire alarm system design, installation, maintenance, monitoring, test, inspection, and repair services
9/21/2022	Life Safety Systems, Inc.	Sciens Building Solutions, LLC	PE Platform (The Carlyle Group Inc. (NasdaqGS:CG))	The company provides the design, construction and maintenance of fire protection, electronic security, and emergency communication systems services
9/2/2022	Allegiant Fire Protection	Valley Fire Protection Systems, LLC	PE Platform (Building Industry Partners)	The company specializes in full-service fire alarm system design, installation, service and repair as well as inspection, maintenance and monitoring services
9/1/2022	Inlution	Minuteman Security Technologies, Inc.	PE Platform (Prospect Partners L.L.C.)	The company offers servicing of intrusion systems, burglar alarms, audio and video surveillance, access control and smart lighting and climate controls
8/31/2022	Integrated Security Group, Inc.	Pye-Barker Fire & Safety, LLC	PE Platform (Atlas Partners LP)	Specializes in designing, installing, monitoring and servicing fire alarms, intrusion alarms, CCTV and access control systems
8/24/2022	Briscoe Protective	Pye-Barker Fire & Safety, LLC	PE Platform (Atlas Partners LP)	The company offers services including security alarms, fire alarms, closed-circuit television, perimeter security systems, home theatre and medical monitoring devices
8/24/2022	Service Division of Burnside Fire Protection	CertaSite	PE Platform (The Riverside Company)	Provides sprinkler system design, installation, and inspection
8/16/2022	Fire Loss Control, Inc.	CertaSite	PE Platform (The Riverside Company)	Provider of fire protection services, including consulting, design and engineering, installation, inspection, maintenance and repair and monitoring of fire equipment
8/11/2022	Fire Alarm Control Systems, Inc.	Sciens Building Solutions, LLC	PE Platform (The Carlyle Group Inc. (NasdaqGS:CG))	Provides fire alarm and voice communication systems for commercial, educational, and federal government facilities
8/11/2022	Marcor Technologies, Inc.	Personal Consulting Services International, Ltd.	Strategic Buyer	Offers remote access solutions and preventative maintenance plans that monitor devices around the clock
8/1/2022	Complete Security Systems, Inc.	Pye-Barker Fire & Safety, LLC	PE Platform (Atlas Partners LP)	Offers installation and maintenance of fire alarm systems, video surveillance, access control, burglar alarm, fire, smoke and gas detection systems and environmental protection
7/20/2022	United Fire Door Inspection	Barrier Technologies	PE Platform (Lincolnshire Management, Inc.)	The company specializes in fire door inspections and maintenance and labeling services
7/20/2022	Hamrick Fire Systems, LLC	CertaSite	PE Platform (The Riverside Company)	Provides services for fire sprinkler systems, fire extinguishers, suppression systems and emergency lighting solutions
7/15/2022	RG Maintenance	Westcoast Gate & Entry Systems Inc.	PE Platform (Crescendo Capital Partners)	The company's services specialize in automatic gates, access control systems, and CCTV systems for commercial, government, residential and multi-family properties
7/14/2022	Cen-Cal Fire Systems, Inc.	Sciens Building Solutions, LLC	PE Platform (The Carlyle Group Inc. (NasdaqGS:CG))	Engages in the consultation, design, fabrication, installation, and service and inspection of fire protection systems for commercial, industrial, and multi-family customers

- Private equity firms or strategics sponsored by private equity firms accounted for almost three quarters of M&A activity in 2022, demonstrating the strong appetite among PE firms for business services companies
- Publicly traded or privately owned strategics accounted for the remaining 26.2%, reflecting that strategics such as Emcor and APi also make acquisitions of manufacturing and distribution companies that would fall outside the scope of this analysis

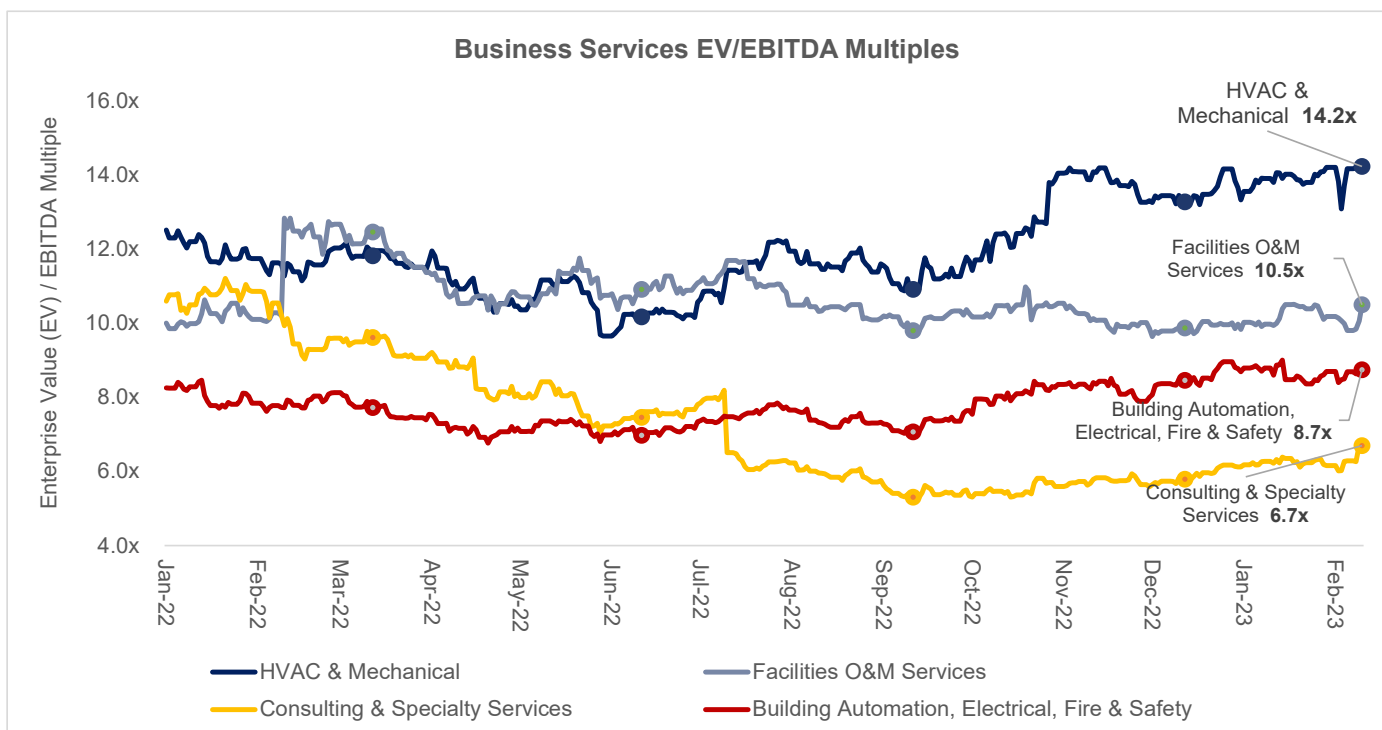
2022 M&A Market



□ Strategic Buyer ■ Financial Buyer

Sources: S&P Capital IQ, IbisWorld, Pitchbook, Griffin Financial Group Research

# Public Market Insights



## Public Company Peer Group Valuation Data

Company	Ticker	Market Cap (\$mm)	Enterprise Value (\$mm)	LTM Revenue (\$mm)	LTM EBITDA (\$mm)	EBITDA Margin (%)	EV / TTM Revenue	EV / TTM EBITDA
ADT Security Services	NYSE: ADT	\$ 6,898	\$ 16,537	\$ 6,395	\$ 2,559	37.9%	2.6x	6.5x
Emcor Group	NYSE: EME	7,963	8,043	11,076	943	6.1%	0.7x	8.5x
APi Group (Minnesota)	NYSE: APG	5,549	8,754	6,558	646	7.7%	1.3x	13.6x
Ameresco	NYSE:AMRC	2,425	3,343	1,824	199	10.4%	1.8x	19.3x
IES Holdings	Nasdaq: IESC	870	979	2,261	112	3.9%	0.4x	9.0x
Limbach Holdings	Nasdaq:LMB	147	172	480	26	4.5%	0.4x	6.6x
<b>Select Public Companies Summary</b>							<i>As of: 3/1/2023</i>	
<b>Mean</b>		\$ 3,976	\$ 6,305	\$ 4,766	\$ 747	11.8%	1.2x	10.6x
<b>Median</b>		<b>3,987</b>	<b>5,693</b>	<b>4,328</b>	<b>422</b>	<b>6.9%</b>	<b>1.0x</b>	<b>8.7x</b>
<b>Min</b>		147	172	480	26	3.9%	0.4x	6.5x
<b>Max</b>		7,963	16,537	11,076	2,559	37.9%	2.6x	19.3x

Sources: S&P Capital IQ, IbisWorld, Pitchbook, Griffin Financial Group Research

# Business Services

Griffin provides a wide range of investment banking services to middle-market companies in the business services industry.



**M&A Advisory Services**




**Private Placement Services**




**Consulting Services**

- Griffin Financial Group is a leading investment bank focused on the needs of middle market-based companies.
- We provide M&A advisory, capital advisory and strategic consulting services to the financial institutions, consumer, commercial and industrial, services, technology and private equity sectors.
- Part of The Stevens & Lee Companies, a multidisciplinary professional services platform of 250+ professionals. Together, we provide a full range of investment banking, legal, business and government consulting services to assist clients in solving their most complicated problems. This platform gives our clients access to a full range of services that, when needed, enhance our investment banking services and our ability to deliver the results our clients deserve.
- We specialize in closely held private and small-cap public companies, with broad experience with service-oriented opportunities, and particular expertise regarding family-owned and owner-operated businesses.

## Representative Case Study



has been acquired by



Principals of Griffin served as financial advisor  
July 2022

- ICS sought to find a partner that would allow the Company to continue its dynamic growth while simultaneously providing liquidity and diversification.
- Korn Ferry is widely recognized as a global leader in organizational consulting and human capital management.

## Representative Transactions



has been acquired by



April 2022



has been acquired by



a portfolio company of




Principals of Griffin served as financial advisor  
December 2021




has sold its fire alarm division to



Principals of Griffin served as financial advisor  
July 2021



has been acquired by



Principals of Griffin served as financial advisor  
November 2018

# Appendix

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1. Security Alarm Services Industry in the US - System monitored: Integration of new technologies with security systems will likely drive industry revenue growth <https://www.ibisworld.com/united-states/market-research-reports/security-alarm-services-industry/>
2. Security Services Industry in the US - On lockdown: New security trends will likely enable operators to effectively compete with competitors <https://www.ibisworld.com/united-states/market-research-reports/security-services-industry/>
3. Electricians Industry in the US - Bright future: Skilled labor shortages and supply chain disruptions will likely persist over the next five years, limiting industry profit <https://www.ibisworld.com/united-states/market-research-reports/electricians-industry/>
4. Commercial Real Estate Industry in the US - First offer: The industry will adapt to shifting trends and corrections in real estate prices <https://www.ibisworld.com/united-states/market-research-reports/commercial-real-estate-industry/>