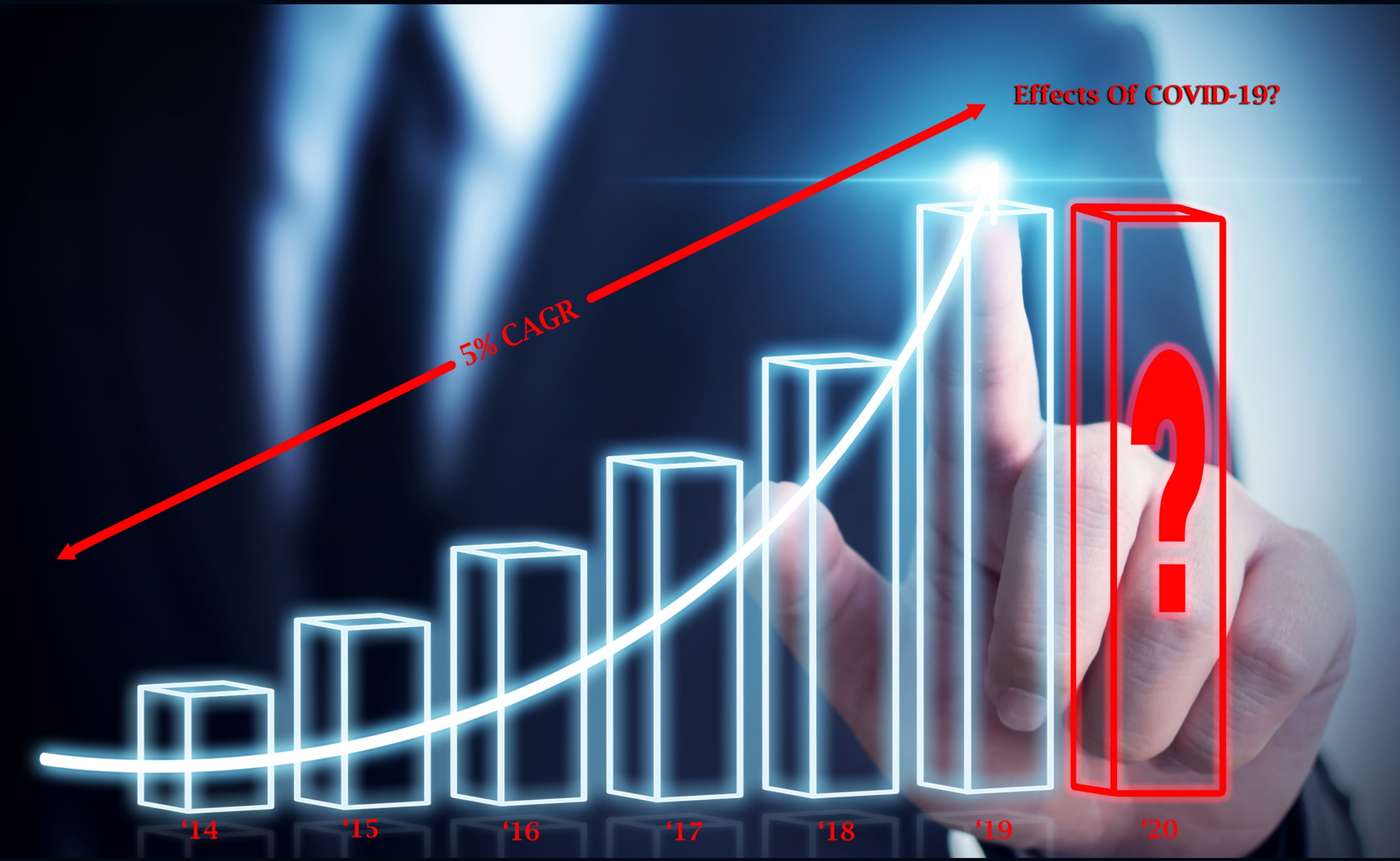
U.S. CONTRACT SECURITY INDUSTRY



White Paper

August 2020

ROBERT H. PERRY
& Associates, Incorporated

ABOUT THIS EDITION

This annual White Paper marks our 12th year of reporting on the status and direction of the U.S. Contract Security Industry. Although the topic headlines remain relatively unchanged from year to year, the information within the headings are updated to reflect the current status of the industry. As with all annual white papers, some information is inherent to the ongoing activities of the industry, therefore will not change, or will have insignificant changes from year to year. Some information will be duplicated if it applies to multiple topics.

CHANGE IN FORMAT RESULTING FROM THE PANDEMIC

The pandemic started its rapid ascent around mid- March causing a great deal of uncertainty about its long term effects on the contract security industry. Although we were able to quantify the status of the security market, with a reasonable degree of certainty, immediately before the pandemic hit; the market today remains a big question mark.

Most owners we surveyed, in preparing this White Paper, indicated an insignificant change in the revenue and/or profits – so far – due to the impact of the pandemic, unless a significant amount of their business was with the “affected industries”. Many reported record revenues and profits due to extra COVID-19 services. However, it’s too early to tell whether the market will decline or continue to grow. In order not to leave the impression that the present market is an extension of the market as it existed at December 2019, we have labeled certain information as being the status as of that date. We have labeled the post-2019 era information as being the status of the market as it exists now; which is very much uncertain and unquantifiable; and will be guided by many events having to do with the lasting effects of COVID-19, pending or new legislation, and the civil disorder presently running rampant in our country and around the world.

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.

ABOUT THIS EDITION

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.

IMPORTANT TAKE-AWAYS FROM THIS WHITE PAPER

See Details on Pages 60 - 64

OPPORTUNITIES

- Artificial intelligence continues to gain recognition in the security sector. The security companies, that have the financial backing to develop it, stand to enjoy revenue gains from existing, as well as new customers.
- Increased revenues and margins through providing COVID-10 related services.
- Civil disorder and defunding the police forces driving companies to the outsourced security market.
- Possible legalization of the Cannabis Industry on a national level opening up a large vertical market source for outsourced security.
- Federal government providing stimulus monies for companies that keep employees on payroll during the pandemic.

CHALLENGES

- Banks are tightening lending standards as a result of the uncertain direction of the economy due to the pandemic.
- ***Possible*** $15 per hour national minimum wage.
- Predictive Scheduling, already in effect in the Chicago area, continuing to gain traction into other areas of the country.
- ***Possible*** restoration of the full provisions of the Affordable Care Act.
- Increase in the state unemployment insurance tax rates, resulting from the large amount of unemployment claims filed during the pandemic.

MARKET BY THE NUMBERS
(As of 12/31/19)

OUTSOURCED AND IN-HOUSE SECURITY MARKET

$43bn

OUTSOURCED CONTRACT SECURITY MARKET

$28bn

REVENUES FOR THE 5 MARKET LEADERS

$17.1bn

REVENUES FOR THE 3 MAJORITY FOREIGN-OWNED MARKET LEADERS (1)

$8.2bn

OUTSOURCED SECURITY OFFICERS	COMPANIES IN THE UNITED STATES	TOTAL REVENUE GROWTH FOR THE U.S. MARKET	ORGANIC GROWTH FOR THE U.S. MARKET
830k	8k	4%	1.8%

(1) Headquarters outside of North America

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MARKET

Defining the U.S. Contract Security Market

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

However, the larger companies that still derive a significant portion of their revenues from traditional standing security officer services have moved away from describing their company in the above terms; instead use terms such as, “security solutions”, “integrated guarding”, or “integrated security solutions” (or other combinations of similar terms) as a way to define their company that now offers a much more expanded menu of services such as:

- Traditional on-site standing security officers (often enhanced by a roving vehicle patrol function)
- Remote video monitoring
- Robots
- Drones
- K-9 security
- Systems integration - Integrated with artificial intelligence platforms
- Roving vehicle patrol
- Traditional concierge services
- Executive protection
- Investigation services
- Cash-In-Transit (armored car services) - although only to a limited extent, if any, provided by a traditional manned guarding company
- COVID-19 temperature checks, distance and mask monitoring (although this service may prove to be temporary as the U.S. pulls out of the pandemic)

As pointed out in several places in this White Paper report, the large companies today continue to emphasize and expand the “Integrated Security” function as a one-stop solution to all facets of security required by the discriminating customers that have an even greater need to protect their property, employees, and systems given the worldwide increase in physical (as well as cyber) security attacks and threats. In fact, the five world leaders (four of which have significant operations in the U.S.) have been investing heavily in technology that enhances the security service delivery and are greatly expanding these services being offered to the customer.

For this White Paper report, we will primarily use the term “Contract Security” to describe the companies providing the above services and sometimes use “Manned Guarding” - a term coined by the Europeans to describe primarily the standing security officer function.

5 World Leaders
(as of 12/31/19)

PERTINENT STATISTICS ON THE FIVE WORLD LEADERS

1 The world leaders are growing faster than their smaller competitors, coming in at 6% growth for the 2019 year vs. 4% for the total market.

2 Most are growing faster in the “integrated guarding” and “artificial intelligence” sectors of their business than they are in the manned guarding sector, now representing more than 20% of their total revenues.

3 Most reported growth in the second quarter of 2020 - the period of the heightened effects of the pandemic.

4 The customer retention rate slipped somewhat, now around 90%.

Important note to reader: *The information on the five leaders presented on pages 11 to 41 was gathered from market sources and primarily the annual reports (in the case of Securitas, G4S, and Prosegur - the three publicly-owned companies). The companies do not follow a uniform format (from one company to the other) in reporting their revenues, market statistics, identifying services offered, etc. Therefore, the information presented on these pages should not be used to compare one company's performance against any of the other companies, but should only be used to evaluate the performance of the individual company. It is suggested that the reader visit the company's website to obtain further information on the company's performance, especially in conjunction with the footnotes accompanying the information being presented.*

5 World Leaders
(as of 12/31/19)

Company	Country Headquarters	Revenues (1) Globally Local Currency	Revenues (1) Globally in U.S. $ (2)	Revenues (1) Approximate U.S. Revenue
SECURITAS	Sweden	MSEK 110,899	$11.7bn	$5.1bn (5)
G4S	United Kingdom	£7.7n	$9.9bn	$2.9bn (2) (5)
ALLIED UNIVERSAL SECURITY SERVICES	United States	$8.4bn	$8.4bn	$8.3bn (5)
PROSEGUR	Spain	€4.2bn	$4.7bn	$0.2bn (3)
GARDAWORLD	Canada	CN$3.5bn	$2.7bn	$0.6bn (4)

(1) All revenues are for the 2019 year, except GardaWorld, which ends its year January 31 2020.
(2) Local currency to U.S. dollar conversion rates (based on average rates for the 2019 year)

MSEK	= million Swedish Krona	9.47 SEK = $1
£	= British Pound	£ 1 = $1.28
€	= Euro	€ 1 = $1.12
CN	= Canadian Dollar	CN1 = $0.7576

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

(3) Prosegur entered the U.S. market in early 2019 and presently has approximately $200M in revenue from U.S. operations.

(4) Additionally, Garda has approximately $500M 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

Overview of World Leaders

SECURITAS

Key Performance Indicators

Revenues in U.S. Dollars $11.7bn

See conversion rate to U.S. dollars on page 11

Securitas is a public company listed on the NASDAQ Stockholm Stock Exchange.

Blue print information inserted by Robert H. Perry & Associates

Source: Securitas Annual and Sustainability Report 2019

Overview of World Leaders

SECURITAS

Leading Global, and Local Presence

See conversion rate to U.S. dollars on page 11

Source: Securitas Annual and Sustainability Report 2019

Overview of World Leaders

SECURITAS

Around The Globe

2017, 2018 and 2019 Financial Performance

KEY RATIOS

MSEK	2017	2018	2019	
Sales	92 197	101 467	**110 899**	$11.7bn
Organic sales growth, %	5	6	4	
Operating income before amortization	4 697	5 304	**5 738**	
Operating margin, %	5.1	5.2	5.2	
Income before taxes	4 018	4 028	**4 618**	
Net income for the year	2 751	3 021	**3 362**	
Earnings per share, SEK	7.53	8.26	**9.20**	
Dividend per share, SEK	4.00	4.40	**4.80***	
Sales of security solutions and electronic security, % of total sales	18	20	**21**	
Sales of security solutions and electronic security, growth %	19	21	**10**	

See conversion rate to U.S. dollars on page 11

Blue print information inserted by Robert H. Perry & Associates

Source: Securitas Annual and Sustainability Report 2019 (footnotes omitted)

Overview of World Leaders

SECURITAS

Around The Globe

Financial Performance - H1 and Q2 2020 Compared to 2019

FINANCIAL SUMMARY

	Q2		Change, %		H1		Change, %		Full year	Change, %
MSEK	**2020**	**2019**	*Total*	*Real*	**2020**	**2019**	*Total*	*Real*	**2019**	*Total*
Sales	**26 556**	**27 684**	**-4**	**-3**	**54 976**	**54 428**	**1**	**1**	**110 899**	**9**
Organic sales growth, %	-4	5			-1	6			4	
Operating income before amortization	**1 075**	**1 377**	**-22**	**-19**	**2 161**	**2 667**	**-19**	**-19**	**5 738**	**8**
Operating margin, %	4.0	5.0			3.9	4.9			5.2	
Amortization of acquisition-related intangible assets	-69	-70			-141	-136			-271	
Acquisition-related costs	-63	-17			-80	-29			-62	
Items affecting comparability*	-61	-46			-106	-66			-209	
Operating income after amortization	**882**	**1 244**	**-29**	**-26**	**1 834**	**2 436**	**-25**	**-25**	**5 196**	**16**
Financial income and expenses	-137	-150			-281	-289			-578	
Income before taxes	**745**	**1 094**	**-32**	**-29**	**1 553**	**2 147**	**-28**	**-28**	**4 618**	**15**
Net income for the period	**545**	**794**	**-31**	**-29**	**1 133**	**1 554**	**-27**	**-27**	**3 362**	**11**
Earnings per share, SEK	1.50	2.18	-31	-28	3.11	4.25	-27	-27	9.20	11
EPS before items affecting comparability, SEK	1.62	2.27	-29	-26	3.32	4.39	-24	-24	9.61	5
Cash flow from operating activities, %	248	69			141	33			85	
Free cash flow	2 439	616			2 115	10			3 268	
Net debt to EBITDA ratio	–	–			2.1	2.9			2.2	

ORGANIC SALES GROWTH AND OPERATING MARGIN DEVELOPMENT PER BUSINESS SEGMENT

	Organic sales growth				Operating margin			
	Q2		H1		Q2		H1	
%	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**
Security Services North America	-2	5	0	5	5.6	6.3	5.4	6.0
Security Services Europe	-6	1	-3	3	3.6	5.0	3.6	5.0
Security Services Ibero-America	-1	16	4	17	3.9	4.6	4.2	4.6
Group	**-4**	**5**	**-1**	**6**	**4.0**	**5.0**	**3.9**	**4.9**

The chart above is from Securitas' interim report January - June 2020, and highlights the sales performance during the second quarter when the effects of COVID-19 were the most dramatic. Note that the sales for the second quarter 2020, globally, declines 4% over the second quarter of the year 2019; but only declined 2% in North America.

See conversion rate to U.S. dollars on page 11

Blue print information inserted by Robert H. Perry & Associates

Source: Securitas Interim Report January - June 2020 Report (footnotes omitted)

Overview of World Leaders

SECURITAS

Security Services North America

Sales Performance - Full Year 2019 Compared to 2018

Security Services North America

SALES AND INCOME

	$5.1bn	$4.8bn	Change, %	
MSEK	(1) 2019	(1) 2018	Total	Real
Total sales	**48 499**	**42 366**	***14***	***6***
Organic sales growth, %	*4*	*6*		
Share of Group sales, %	*44*	*42*		
Operating income before amortization	**3 003**	**2 589**	***16***	***8***
Operating margin, %	*6.2*	*6.1*		
Share of Group operating income, %	*52*	*49*		

(1) Based on 9.47 and 8.75 conversion rates in 2019 and 2018, respectively

Organic sales growth was 4 percent (6), on a strong comparative and a client retention rate of 90 percent (91). The main contribution to organic sales growth derived from the five geographical regions and Pinkerton Corporate Risk Management.

Security solutions and electronic security sales represented MSEK 8 885 (7 365) or 18 percent (17) of total sales in the busi-ness segment for the full year.

The operating margin was 6.2 percent (6.1), an improvement supported by several business units, including a good development in the five geographical regions. The operating margin was hampered by a temporary decline in the critical infrastructure ser-vices business unit in the fourth quarter. The adoption of IFRS 16 Leases had a positive impact on the operating result in the busi-ness segment.

See conversion rate to U.S. dollars on page 11

Blue print information inserted by Robert H. Perry & Associates

Source: Securitas Annual and Sustainability Report 2019 (footnotes omitted)

Overview of World Leaders

SECURITAS

Security Services North America

Revenue Performance by Service Offering - Full Year 2019 Compared to 2018

	Security Services North America		Securitas Group	
MSEK	2019	2018	2019	2018
Guarding services	37 779	33 541	85 774	79 567
Security solutions and electronic security	8 885	7 365	23 290	20 440
Other	1 835	1 460	1 835	1 460
Total sales	**48 499**	**42 366**	**110 899**	**101 467**
Other operating income	–	–	34	30
Other Income			29	24
Total revenue	**48 499**	**42 366**	**63**	**101 497**
Security Solutions and Electronic Security as a % of Total Revenue	**18.30%**	**17.40%**	**21.00%**	**20.10%**

See conversion rate to U.S. dollars on page 11

Source: Securitas Annual and Sustainability Report 2019 (footnotes omitted)

SECURITAS

Overview of World Leaders

Security Services North America

Financial Performance H1 and Q2 - 2020 Compared to 2019

MSEK	Q2 2020	Q2 2019	Change, % Total	Change, % Real	H1 2020	H1 2019	Change, % Total	Change, % Real	Full year 2019
Total sales	**11 980**	**12 050**	**-1**	**-2**	**24 627**	**23 619**	**4**	**1**	**48 499**
Organic sales growth, %	-2	5			0	5			4
Share of Group sales, %	45	44			45	43			44
Operating income before amortization	**666**	**756**	**-12**	**-12**	**1 318**	**1 411**	**-7**	**-9**	**3 003**
Operating margin, %	5.6	6.3			5.4	6.0			6.2
Share of Group operating income, %	62	55			61	53			52

Q2 2020

Organic sales growth was −2 percent (5), on a strong comparative. Reduced service levels due to the corona pandemic were partially offset by extra sales related to the corona pandemic. Extra sales in the quarter amounted to over 18 percent of total sales (14). The decline in organic sales growth was related to the business units Electronic Security and Critical Infrastructure Services and was mainly related to negative impact from the corona pandemic. In Electronic Security, the main impact derived from the installation business whereas Critical Infrastructure Services was impacted by the corona-related restrictions and lockdowns. Organic sales growth in Guarding was stable in the quarter, as the business unit was able to compensate temporary reduced portfolio sales with increased extra sales, both corona-related.

Security solutions and electronic security sales represented MSEK 2 035 (2 199) or 17 percent (18) of total sales in the business segment in the second quarter.

The operating margin was 5.6 percent (6.3), a decline primarily related to the sales decline in the business units Electronic Security and Critical Infrastructure Services. Cost saving measures have been taken to limit the negative leverage from the reduced sales. The operating margin in Guarding was supported from the corona-related change in business mix with increased share of extra sales. The operating margin was hampered by increased levels of provisioning to reflect the increased risk in the business environment related to employee benefits and collection of outstanding accounts receivable.

The Swedish krona exchange rate weakened against the US dollar, which had a slight positive effect on operating income in Swedish kronor. The real change was −12 percent (12) in the second quarter.

H1 2020

The negative impacts from the corona pandemic accelerated in the second quarter mainly within the business units Electronic Security and Critical Infrastructure Services. Organic sales growth in Guarding was stable in the first half year, as the business unit was able to compensate temporary reduced portfolio sales with increased extra sales, both corona-related. The client retention rate was 92 percent (90), but does not include corona-related temporary reductions.

Security solutions and electronic security sales represented MSEK 4 339 (4 277) or 18 percent (18) of total sales in the business segment in the first half year.

The operating margin was 5.4 percent (6.0), a decline primarily related to the sales decline in the business units Electronic Security and Critical Infrastructure Services. The operating margin in Guarding was supported from the corona-related change in business mix with increased share of extra sales. The operating margin was hampered by increased levels of provisioning to reflect the increased risk in the business environment related to employee benefits and collection of outstanding accounts receivable.

The Swedish krona exchange rate weakened against the US dollar, which had a positive effect on operating income in Swedish kronor. The real change was −9 percent (13) in the first half year.

See conversion rate to U.S. dollars on page 11

Source: Securitas Annual and Sustainability Report 2019 (footnotes omitted)

Overview of World Leaders

SECURITAS

Security Services North America

Revenue Performance by Service Offering — H1 2020 Compared to H1 2019

MSEK	Security Services North America Jan-Jun 2020	Security Services North America Jan-Jun 2019	Group Jan-Jun 2020	Group Jan-Jun 2019
Guarding services[1]	18 957	17 957	41 813	41747
Security solutions and electronic security	4 339	4 277	11 832	11 296
Other[1]	1 331	1 385	1 331	1 385
Total sales	**24 627**	**23 619**	**54 976**	**54 428**
Other operating income	-	-	20	17
Total revenue	**24 627**	**23 619**	**54 996**	**54 445**
Electronic Solutions and Electronic Security as a % of Total Revenue	**17.6%**	**18.1%**	**21.5%**	**20.7%**

[1] Comparatives have been restated for business that relates to risk management services.

See conversion rate to U.S. dollars on page 11

Source: Securitas Annual and Sustainability Report 2019 (footnotes omitted)

Overview of World Leaders

G4S

Key Performance Indicators

Highlights

On 26 February 2020, G4S announced a significant milestone in the execution of its corporate strategy with an agreement to sell the majority of its conventional cash solutions businesses (the "Transaction"), greatly enhancing our strategic, commercial and operational focus. As at 28 April 2020, around 71% of the Transaction had completed.

Statutory results		Underlying results	
REVENUE US$10bn	OPERATING CASH FLOW	REVENUE US$9.9bn	OPERATING CASH FLOW
£7.8bn	**£504m**	**£7.7bn**	**£633m**
(2018: £7.5bn)	(2018: £585m)	(2018: £7.3bn)	(2018: £582m)
+3.4%	-13.8%	+4.7%	+8.8%
ADJUSTED PBITA	PROFIT BEFORE TAX	ADJUSTED PBITA	EARNINGS
£501m	**£27m**	**£501m**	**£263m**
(2018: £483m)	(2018: £142m)	(2018: £501m)	(2018: £261m)
+3.7%	-81.0%	+0.0%	+0.8%
			Non-financial KPI
EPS	DIVIDEND PER SHARE	EPS	HEALTH AND SAFETY
(5.9p)	**3.59p**	**17.0p**	**67%**
(2018: 5.2p)	(2018: 9.70p)	(2018: 16.9p)	REDUCTION IN ROAD TRAFFIC FATALITIES SINCE 2013
-213.5%		+0.6%	

- Statutory Results reflect the entire Group including the results of the businesses subject to the conventional cash disposal.
- Underlying results are Alternative Performance Measures and include the results of the businesses subject to the conventional cash disposal. The underlying results are presented at constant exchange rates other than operating cash flow, which is presented at actual rates in both 2019 and 2018.
- Disposals—G4S has disposed of non-core, or underperforming, business units representing approximately $1.7bn during the immediate years leading up to 2019.

See conversion rate to U.S. dollars on page 11

Blue print information inserted by Robert H. Perry & Associates

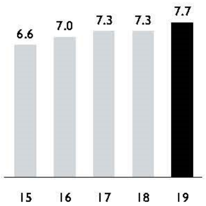
Source: G4S Full Integrated Report and Accounts 2019 (footnotes omitted)

MARKET

Overview of World Leaders

PERFORMANCE HISTORY

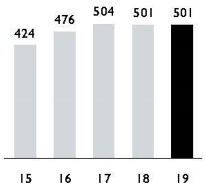
Revenue* (bn)



£7.7bn US$9.9bn

REVENUE IN 2019

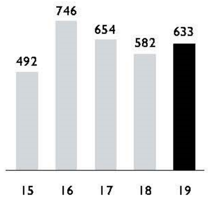
Adjusted PBITA* (m)



£501m

ADJUSTED PBITA DEFINED AS PROFIT BEFORE INTEREST, TAX AND AMORTISATION AND EXCLUDING SPECIFIC AND OTHER SEPARATELY DISCLOSED ITEMS IN 2019

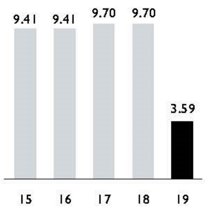
Operating cash flow* (m)



£633m

OPERATING CASH FLOW IN 2019

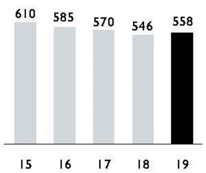
Dividend (pence per share)



3.59p**

TOTAL DIVIDEND PER SHARE FOR 2019

Employees ('000)



558,000

INCLUDING JOINT VENTURES AND BUSINESSES SUBJECT TO THE CONVENTIONAL CASH DISPOSAL

* Underlying revenue, Adjusted PBITA and operating cash flow are Alternative Performance Measures (APMs) and exclude results from disposed businesses, onerous contracts and specific and other separately disclosed items, but include the results from the businesses subject to the conventional cash disposal.

** The board concluded that the uncertainty relating to Covid-19 and its impact on economic activity in our key markets meant it was in the best interests of all stakeholders not to recommend the payment of a final 2019 dividend at the forthcoming AGM.

See conversion rate to U.S. dollars on page 11

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

Source: G4S Full Integrated Report and Accounts 2019

Overview of World Leaders

2019 Results by Region

(in £1,000's)	Statutory Results	Underlying Results
Areas		
Africa	425	425
Americas	2,703	2,703
Asia	940	940
Europe & Middle East	2,590	2,504
Cash Solutions	1,100	1,100
Total Group Revenue	7,758	7,672
Adjusted PBITA		
Africa	30	30
Americas	136	136
Asia	70	70
Europe & Middle East	179	179
Cash Solutions	134	134
Total Group PBITA		
Before Corporate Cost	549	549
Corporate Cost	48	48
Total Group Adjusted PBITA	501	501

Notes: In 2019, G4S combines the North American and South American results; whereas prior to 2018 these 2 continents were separately reporting regions. G4S also, in 2019, separates the Cash Solutions business from the results of the other regions. It is estimated that the revenues from the North American region is approximately $2.9bn.

In 2019, approximately 47% of G4S sales were derived from technology—related security services; approximately 4% increase over the 2018 year.

See conversion rate to U.S. dollars on page 11

Blue print information inserted by Robert H. Perry & Associates

Source: G4S Full Integrated Report and Accounts 2019 (footnotes omitted)

Overview of World Leaders

The Americas

Americas

2019 highlights
Underlying results

+8.8%
ORGANIC REVENUE GROWTH

126,000
EMPLOYEES

$65bn
AMERICAS SECURITY MARKET IN 2017*

Revenue £m			Adjusted PBITA £m		
2019	2018	YoY	2019	2018	YoY
2,703	2,484	8.8%	136	136	–

* Freedonia Security Services Report, October 2018.

G4S North America Secure Solutions is the Group's largest integrated security business.

Key customer sectors – financial services, extractive, retail, government, embassies and manufacturing. In Latin America, G4S is a leading integrated Secure Solutions provider for commercial and government customers across 18 countries, with Brazil, Colombia and Peru our largest markets by revenue.

Revenues in our Americas region grew by 8.8% overall, driven by very strong growth in North America. Adjusted PBITA was in line with the prior year due to challenging market conditions in Latin America, especially in Brazil and Chile and higher mobilisation costs in the US related to new contract wins.

Our Secure Solutions revenues in North America grew 10.2%, as our consultative approach to designing and delivering integrated security solutions continues to gain traction with large enterprise customers and in regulated sectors. We saw strong demand for our risk and security consulting services, security analytics, regulated security services, executive protection and investigative services. This was across a broad range of sectors including IT, construction, data centres, critical national infrastructure, construction and financial services. North America PBITA increased by 11.0% in the year resulting in a full year margin of 6.3% (2018: 6.2%).

In Latin America we continued to be disciplined in our bidding and our revenues increased by 4.5%. We continued to re-position our contract portfolio towards market segments where security is a premium service and as a result, we incurred significant one-off severance and de-mobilisation costs and PBITA was significantly lower. We are implementing price and efficiency programmes designed to enhance margins in 2020.

Our on-going investment in sales, business development and customer service has enabled G4S to sustain a substantial pipeline in the Americas which supports our organic growth programme.

See conversion rate to U.S. dollars on page 11

Blue print information inserted by Robert H. Perry & Associates

Source: G4S Full Integrated Report and Accounts 2019 (footnotes omitted)

Overview of World Leaders

Around The Globe

H1 2020 RESULTS

UNDERLYING RESULTS

		Six months ended 30 June £m		Change %
		2020	2019	YoY
1)	Revenue	3,353	3,403	(1.5)
	PBITA	187	196	(4.6)
	PBITA margin	*5.6%*	*5.8%*	*(20bp)*
	Interest	(50)	(55)	
	Tax	(37)	(37)	
	Non-controlling interests	(3)	(7)	
	Earnings attributable to equity holders	97	97	-
	EPS	6.3p	6.3p	-
	Operating cash flow	364	164	122
	OCF conversion	195%	84%	

1) See page 25 for details of changes by geographical area

See conversion rate to U.S. dollars on page 11

Blue print information inserted by Robert H. Perry & Associates

Source: G4S Full Integrated Report and Accounts 2019 (footnotes omitted)

Overview of World Leaders

G4S Today - Around the Globe

H1 2020 RESULTS

ORGANIC REVENUE GROWTH PROFILE

Year-on-year growth

	Q1	April	May	June	Q2	H1
Africa	**(0.1%)**	(4.6%)	(1.0%)	(1.1%)	**(2.3%)**	**(1.5%)**
Americas	**6.9%**	5.4%	2.0%	4.2%	**3.9%**	**5.4%**
Asia	**4.2%**	1.4%	(3.4%)	(2.3%)	**(1.5%)**	**1.4%**
Europe & Middle East	**(1.4%)**	(12.8%)	(13.6%)	(8.3%)	**(11.6%)**	**(6.5%)**
Secure Solutions	**2.9%**	(3.0%)	(5.1%)	(1.6%)	**(3.2%)**	**(0.2%)**
Cash Solutions	**(2.3%)**	(35.5%)	(33.5%)	(20.0%)	**(30.0%)**	**(16.5%)**
Total Group	**2.5%**	(5.8%)	(7.5%)	(2.9%)	**(5.3%)**	**(1.5%)**

- Covid-19 pandemic impact peaked in April and May across the Group
- Revenue trends improving towards the end of Q2

Americas (primarily North America) reported strong organic growth during the COVID-19 peak months

See conversion rate to U.S. dollars on page 11

Blue print information inserted by Robert H. Perry & Associates

Source: G4S Full Integrated Report and Accounts 2019 (footnotes omitted)

Overview of World Leaders

ALLIED UNIVERSAL SECURITY SERVICES

Key Performance Indicators

Allied Universal is a privately-held company owned in the majority by Private Equity Groups

(1) $8.6bn after the acquisition of Summit Security on August 31, 2020

Red print information inserted by Robert H. Perry & Associates

Source: News Releases, Company Website, and Management

Overview of World Leaders

ALLIED UNIVERSAL℠
SECURITY SERVICES

Allied Universal History

The Merger of two MAJOR companies - AlliedBarton and Universal Protection

Allied Barton's history dates back to 1957; while **Universal Protection** was founded in 1965.

Both companies grew organically and through a series of acquisitions and in 2015, Allied Barton (then owned by Blackstone Group) was sold to Wendel Group out of Paris, France. Allied Barton had gross revenues in the $2.3bn range at the time of the sale.

In 2016, Allied Barton and Universal Protection (with revenues in the $2.2bn range and owned in the majority by Warburg Pincus and The Partners Group) announced a merger. At the time of the merger the newly formed Allied Universal would have revenues of approximately $5.5bn.

Today, as a result of approximately 80 acquisitions, Allied Universal has run rate revenues of approximately $8.6bn (including its most recent acquisition of Summit Security) - mostly from U.S. customers, but insignificant amounts from Canada, Mexico, England and various countries in Central America. Approximately $8.5bn coming from customers in the U.S.; with the remaining revenues coming from Canada, Mexico, England and various countries in Central America.

Present Ownership

Present Ownership	Ownership %
CDPQ	40.0%
Warburg Pincus	40.0%
Partners Group	6.0%
AUS Management	7.0%
Safra	6.0%
Crescent	1.0%

Source: News Releases, Company Website, and Management

Overview of World Leaders

ALLIED UNIVERSAL SECURITY SERVICES

Allied Universal Today - Around the Globe

Footprint

Over 250 branches throughout the U.S., with a small presence in Canada, Mexico, United Kingdom, and several countries in Central America.

Service Offerings

Although Allied Universal has a couple of small divisions offering temporary staffing and janitorial services, its core business is in providing security services - manned guarding, systems integration, cyber security and artificial intelligence. Below is a description of its core offerings:

Manned Guarding

- Uniformed Security Guards
- Patrol Services
- Investigations
- Executive Protection

Integrated Technology & Security Systems

- Access Control
- Video Surveillance
- Autonomous Robots & Drones
- Monitoring & Repsonse Center
- Fire & Intrusion Alarm Monitoring
- GSOC as a Service
- Hosted & Managed Services

Intelligence-Driven Security Workforce

Through the recently rolled-out HELIAUS ® technology:

- Real-Time Data
- Sitemaps
- Custom Workflows
- Trend Analysis
- Reporting, Tracking & Compliance

Risk Advisory & Consulting Services

- Emergency Preparation Services
- Security Consulting
- Threat Management & Personal Protection
- Investigations
- Armed Disaster, Emergency & Strike Response

Source: News Releases, Company Website, and Management

Overview of World Leaders

Allied Universal Today - Around the Globe

Foreign Markets

Having recently entered several foreign markets, Allied Universal's four major websites are:

www.aus.com
www.aus.uk.com
www.ausecurity.ca
www.ausecurity.mx

Source: News Releases, Company Website, and Management

ALLIED UNIVERSAL SECURITY SERVICES

Allied Universal Today - Around the Globe

During the reporting period, Allied Universal remained very active in making acquisitions.

Acquisitions of Manned Guarding Companies

Allied Universal acquired 5 companies in the manned guarding space, each having revenues less than $100 million annually, but combined having revenues exceeding $175 million.

It also purchased two large manned guarding companies:

On ***November 21, 2019***, Allied Universal announced a transformational merger with SOS Security. SOS was founded in New Jersey in 1969 and at the time of the merger had over 15,000 employees located in five countries. SOS' revenues at the time of the merger is estimated to be approximately $600 million.

On August 31, 2020, Allied Universal purchased Summit Security, a $200 million revenue manned guarding company based in New York. Robert H. Perry & Associates initiated this transaction and were consultants to the sellers during the negotiations. There was not a press release on this transaction.

Acquisitions of Systems Integration Companies

Allied Universal announced 4 acquisitions in the systems integration sector with combined revenues of approximately $150 million. The most significant of which was Securadyne Systems, a security systems integrator having revenues of approximately $75 million generated from its 17 branch offices.

Source: News Releases, Company Website, and Management

Overview of World Leaders

ALLIEDUNIVERSAL SECURITY SERVICES

Allied Universal Today - Around the Globe

During the reporting period, Allied Universal remained very active in making acquisitions.

Allied Universal Transactions with Its Investors

On February 20, 2019, Allied Universal announced that Caisse de dépôt et placement du Québec "CDPQ" invested approximately $400 million of capital, alongside company management and current financial partners, Warburg Pincus and Wendel, to support AUS' aggressive acquisition strategies.

On December 13, 2019, Allied Universal's existing shareholders completed a sale of a majority stake in the company to "CDPQ"; and a new investment group led by Warburg Pincus and an affiliate of the J. Safra Group. As part of the transaction, Wendel sold 79% of its total investment in Allied Universal for net cash proceeds of $721 million and will retain an ownership of approximately 6%.

The transaction values Wendel's net investment, including realized and unrealized proceeds, at approximately $920 million, or approximately 2.5 times its total invested capital – realized during its 13-month ownership of the majority shares of Allied Universal.

On April 29, 2020, the Wendel Group sold its remaining 6% interest to the remaining shareholders for $196 million.

Allied Universal's Growth During the Pandemic

Allied Universal is a privately-held company; therefore it does not publish its financials. However, based on information we have in our files, we determined that the company has enjoyed organic growth - the early years In the double digit range - to the low single digits now. An April 30, 2020 company news release indicated that it "seeks to hire 30,000 security professionals and administrative staff nationwide over the next 2 months. In spite of the uncertainty that COVID-19 has caused, there are still many industries, such as security services, that are currently hiring to fill essential roles".

Source: News Releases, Company Website, and Management

Overview of World Leaders

PROSEGUR

Prosegur Today

PROSEGUR TODAY

26 COUNTRIES

+170,000 EMPLOYEES WORLDWIDE

>9,000 ARMORED VEHICLES

>100,000 MANAGED ATMS

+550,000 ALARM CONNECTIONS

OVER **220** FULLY INTEGRATED ACQUISITIONS

Prosegur is a public company listed on the Madrid Stock Exchange.

Source: Prosegur IR Corporate Presentation - FY19

PROSEGUR

Prosegur - Around the Globe

Prosegur's Footprint and Revenue Growth

Prosegur serves customers in 26 countries with less than 5% of its total sales coming from the U.S.

Footprint and Financial Performance

			GROWTH	
	2018	2019	Local Currency	Euros
in million Euros				
Europe	1,770	1,740	1.7%	1.7%
Ibero-America	2,087	2,042	19.7%	2.2%
Rest of the World	341	157	116.6%	116.6%
Total	**4,198**	**3,939**	15.6%	6.6%

Three Operating Regions:

Prosegur had 15.6% growth in local currency for 2019:

Organic Growth	9.1%
Acquisitions	6.5%
	15.6%
* Exchange Rate Fluctuation	- 9.0%
Net Change	6.6%

* Resulting from significant monetary devaluation in Latin America and application of IAS 21.

See conversion rate to U.S. dollars on page 11

Blue print information inserted by Robert H. Perry & Associates

Source: Prosegur's Results Presentation - FY 2019 (with footnotes omitted)

Overview of World Leaders

Overview of World Leaders

PROSEGUR

Prosegur - Around the Globe

Financial Results - 2019 Compared to 2018

(in 000's Euros)

Consolidated Results		FY 2018	FY 2019	% Variation
Sales		**3,939**	**4,198**	6.6%
EBITDA		**456**	**536**	17.6%
	Margin	*11.6%*	*12.8%*	
Depreciation		(129)	(178)	
EBITA		**327**	**358**	9.5%
	Margin	*8.3%*	*8.5%*	
Amortization of intangibles		(26)	(28)	
EBIT		**301**	**330**	9.7%
	Margin	*7.7%*	*7.9%*	
Financial result		(21)	(66)	
Profit before tax		**280**	**265**	(5.4)%
	Margin	*7.1%*	*6.3%*	
Tax		(100)	(105)	
	Tax rate	*35.7%*	*39.5%*	
Net Profit		**180**	**160**	(11.0)%
Minority Interest		48	46	
Consolidated Net Profit		**132**	**114**	(13.9)%
Earnings per share *(Euros per share)*		**0.2**	**0.2**	

Note: Prosegur's total sales - around the globe - for 2019 converts to $4.7bn. See page 10 for conversion rates. The U.S. portion in the sales is approximately $200M.

See conversion rate to U.S. dollars on page 11

Blue print information inserted by Robert H. Perry & Associates

Source: Prosegur's Results Presentation - FY 2019 (footnotes omitted)

Overview of World Leaders

PROSEGUR

Prosegur - Around the Globe

Prosegur's Sales Performance By Business Line - for 2019 Compared to 2018

(Millions of Euros)		2019	2018	Variation
Security		2,107.7	1,945.7	8.3%
	Total %	*50.2%*	*49.4%*	
Cash		1,798.6	1,731.6	3.9%
	Total %	*42.8%*	*44.0%*	
Alarms		278.1	261.9	6.2%
	Total %	*6.6%*	*6.6%*	
PGA and not assigned		**13.8**	**-**	100.0%
	Total %	*0.3%*	-	
		4,198.2	**3,939.2**	**6.6%**

Note: Prosegur's total sales - around the globe - for 2019 converts to $4.7bn. The U.S. portion in the sales is approximately $200M.

See conversion rate to U.S. dollars on page 11

Blue print information inserted by Robert H. Perry & Associates

Source: Prosegur's Results Presentation - FY 2019 (footnotes omitted)

PROSEGUR

Overview of World Leaders

Prosegur - Around the Globe

Prosegur's Financial Performance 6 Months 2020 and 6 Months 2019

Consolidated Results (€ millions)		6M 2019	6M 2020 (2)	% Variation
Sales		**2,055**	**1,775**	-13.6%
EBITDA		247	184 (3)	-25.3%
	Margin	12.0%	10.4%	
Depreciation		(88)	(78)	
EBITA		**159**	**106**	-33.3%
	Margin	7.7%	6.0%	
Amortization of intangibles		(14)	(14)	
EBIT		145	91	-36.9%
	Margin	7.0%	5.2%	
Financial result		(28)	(33)	
Profit before tax		117	58	-50.4%
	Margin	5.7%	3.3%	
Tax		(47)	(30)	
	Tax rate	39.9%	51.5%	
Net Profit		71	28	-60.0%
Minority Interest		22	6	
Consolidated Net Profit		**48**	**23**	-53.2%
Sales First Quarter		993	994	
Assumed Sales Second Quarter (6 months sales minus first quarter sales)		1,062	781	

Prosegur had a decline in revenues (6 months 2020 vs. 6 months 2019) of 13.6% detailed as follows:

Organic Growth	3.5%
Divestiture Revenue	-3.9%
Exchange Rate Fluctuation	-13.2%
NET CHANGE	**-13.6%**

See conversion rate to U.S. dollars on page 11

Blue print information inserted by Robert H. Perry & Associates

Source: Prosegur's 6M 2020 Results and Prosegur's Q1 2020 Results (with footnotes omitted)

PROSEGUR

Prosegur - Around the Globe

Note to Prosegur's 1H Interim Financial Statements Regarding COVID-19

After the severe impact that the Covid-19 pandemic has had on most global economies, practically all companies have been forced to adjust their expectations for the second half of the year.

Prosegur is no exception, so growth prospects for the rest of the year have been limited, with a focus on spending control and liquidity protection.

In any case, despite the sharp slowdown during the most intense months of the coronavirus crisis, the businesses have shown positive resistance which allows us to consider a certain degree of recovery, although each one of them has different dynamics.

Cash is the activity that has most suffered the effect of business closures and social confinement. During these periods, the volumes of cash operated and the amounts transported were significantly reduced due to lower consumption and the closing of bank branches. Its income has also suffered a further reduction due to the negative translational effect of the devaluation in the main LatAm currencies, the Argentine Peso and the Brazilian Real, during the first six months of the year.

However, the transport and cash handling business has benefited from certain extraordinary high-volume services in LatAm, where some governments have urgently promoted the distribution of subsidies to the population supported by our logistical capacity.

Additionally, it is expected that the volumes of the Cash business will recover gradually as the different economies reopen and the mobility of its citizens increases.

The Security business has also been affected by the lockdowns and business closures. However, its volume losses have been lower due to the need for clients to maintain a minimum level of security, even when their work centres are closed, and due to the sharp increase in demand from the food and hospital retail sectors to ensure their clients and users comply with social distancing and hygiene measures.

This set of new solutions which have been renamed "Anti-Covid Measures" is very promising and it is hoped that they will strongly boost technological solutions based on remote monitoring, thermography and intelligent image processing.

However, despite the positive outlook in expected demand for this new type of services, the security business has yet to recover the volume losses of the first half of the year -lower than cash, but with a slower recovery- and also to overcome certain negative profitability impacts in some countries caused by protectionist labour measures which have prevented adapting labour costs to the fall in volumes proportionally.

In summary, Security has shown greater resistance to the Covid crisis than the rest of the businesses and its prospects for developing new high-demand solutions are very high, but its recovery to pre-crisis levels will be slower than Cash or Alarms which are businesses that recover more quickly.

Finally, Alarms is also a business that was severely impacted during the worst months of the pandemic, but which at the same time is also showing very positive recovery prospects.

Indeed, during the main months of the lockdown, in virtually all our countries, the ability to access clients' homes or businesses to sell new connections or install those already sold was limited entirely.

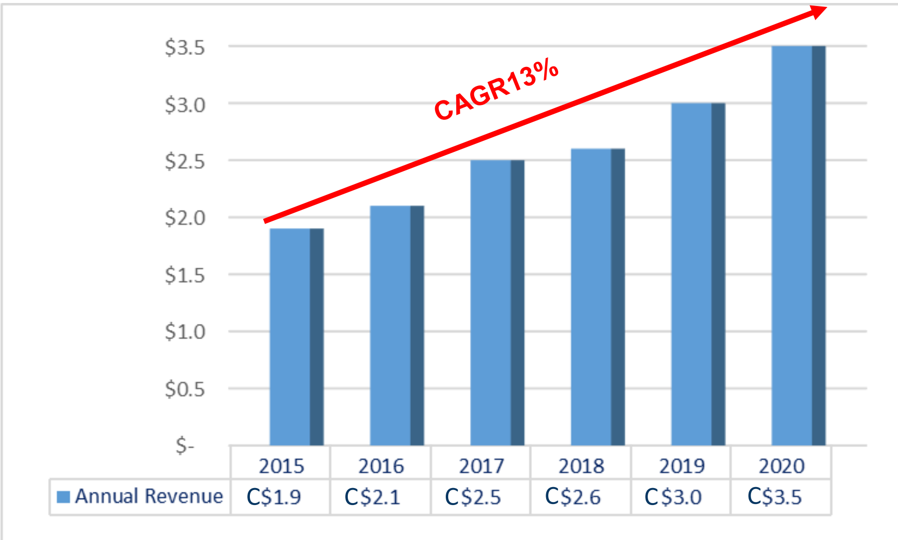
Overview of World Leaders

GARDAWORLD

Key Performance Indicators

Total Sales	Main Business Lines	
US$2.7bn	Cash Services	29%
3,525 (in CN$1000)	Protective Services	71%

Employees	Operations
92,000	North America, Europe,
(at 01/31/2020)	Middle East, Africa



See conversion rate to U.S. dollars on page 11

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

Source: GardaWorld Year-end Reports - January 31, 2020

Overview of World Leaders

GARDAWORLD

Lines of Service and Area

Revenues - Fiscal Years January 31, 2020 Compared to January 31, 2019

	2020	2019	Change
in million CN$			
Protective Services			
North America	$ 1,605	$ 1,127	42.4%
International	896	866	3.5%
Total Protective Services	2,501	1,993	25.5%
Cash Services - North America	1,024	990	3.4%
Total Revenue	**$ 3,525**	**$ 2,983**	**18.1%**

See conversion rate to U.S. dollars on page 11

Source: GardaWorld Year End Results - January 31, 2020

GARDAWORLD

Overview of World Leaders

Overview of Financial Changes

Fiscal Year Ended January 31, 2020

PROTECTIVE SERVICES

Revenues for the fiscal year ended January 31, 2020 were C$2,501.1 million, compared with C$1,993.3 million last year, an increase of C$507.8 million or 25.5%. Revenues from business acquisitions increased by $430.5 million or 21.6% and from existing business increased by C$60 million or 3.0%. The U.S. Dollar strength has increased the revenues by C$17.3 million in comparison to last year.

Protective Services' revenues in North America were C$1,605.2 million, compared with C$1,127.3 million last year, an increase of C$477.9 million or 42.4%. Revenues from business acquisitions increased by $C419.8 million or 37.2% and existing business increased by C$56.0 million or 5.0%.

Revenues from Middle East and Africa were C$895.9 million compared with C$866.0 million last year, an increase of C$29.9 million or 3.5%. Revenues from business acquisitions increased b C$10.7 million or 1.2%, and existing business increased by C$4.0 million or 0.5%. The U.S. Dollar strength as increased revenues by C15.2 million in comparison to last year.

CASH SERVICES

Revenues for the fiscal year ended January 31, 2020 were C$1,023.6 million, compared with C$990.1 million last year, an increase of C$33.5 million or 3.4%. Revenues from existing business increased by C$17.0 million or 1.7%. The U.S. Dollar strength has increased revenues by C$16.5 million in comparison to last year.

Cash Services' revenues in Canada for the fiscal year ended January 31, 2020 were C$251.6 million compared with C$248.3 million last year, an increase of C$3.8 million or 1.3%. Cash Services' revenues in the United States were C$772.0 million for the same period compared with C$741.8 million last year, an increase of C$30.2 million or 4.1% of which C$16.5 million attributable to foreign exchange and C$13.7 million to organic growth.

See conversion rate to U.S. dollars on page 11

Source: GardaWorld Year End Results - January 31, 2020

GARDAWORLD

Overview of World Leaders

Acquisition Activity

Garda completed many small acquisitions during the 2019 year, which it didn't announce or identify in its annual reports. Garda identified several significant acquisitions in its annual reports, the most significant being the acquisition of the Whelan Group on April 5, 2019. On July 13, 2020, Garda put out a press release on its acquisition of WorldAware - a risk management firm based in the United States. WorldAware, with approximately $50 million in annual revenue, will be combined with Garda's Crisis24 subsidiary to create a dominant Market presence in the integrated security risk management sector.

On July 23, 2019, Garda announced that BC Partners, a leading international private investment group, and others have reached a definitive agreement to acquire Rhône Group's equity interest in GardaWorld Security Corporation in a C$5.2 billion recapitalization. Following the transaction close, BC Partners will have a 51% common equity interest in GardaWorld, while Stephan Crétier along with select members of management hold 49%.

GARDA'S GROWTH DURING THE PANDEMIC

While we were not able to view Garda's second quarter financial results, which are due to be published after the release of this White Paper report; we were able to find the below article on Garda's performance during the early stages of the pandemic:

From a May issue of the ***Canadian Press*** quoting Scott Young, with Garda . . . "Young said Garda's billable hours are up 25 percent over the past eight weeks, as the need from essential retail outlets and hospitals by far offsets the drop from special events and airports. Over the past two months, Garda has hired 2,500 staff, about double what it normally would over that time period. "

Young added . . . "training guards has been a challenge as first-aid, handcuff and non-violent crisis intervention courses are done in person. It's also becoming the new normal to have guards check temperatures to avoid sick people entering buildings. Garda has equipment that can be integrated into metal-detector archways or card-access turnstiles".

See conversion rate to U.S. dollars on page 11

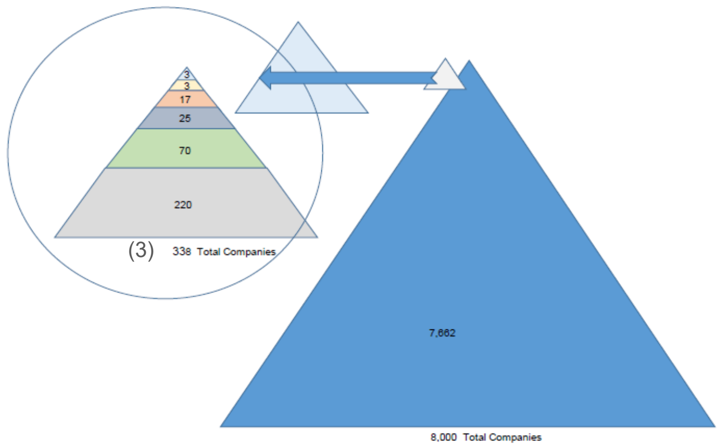
Source: GardaWorld Year End Results - January 31, 2020, and a press release

THE MARKET AS OF DECEMBER 31, 2019

Size of the Market
(as of 12/31/19)

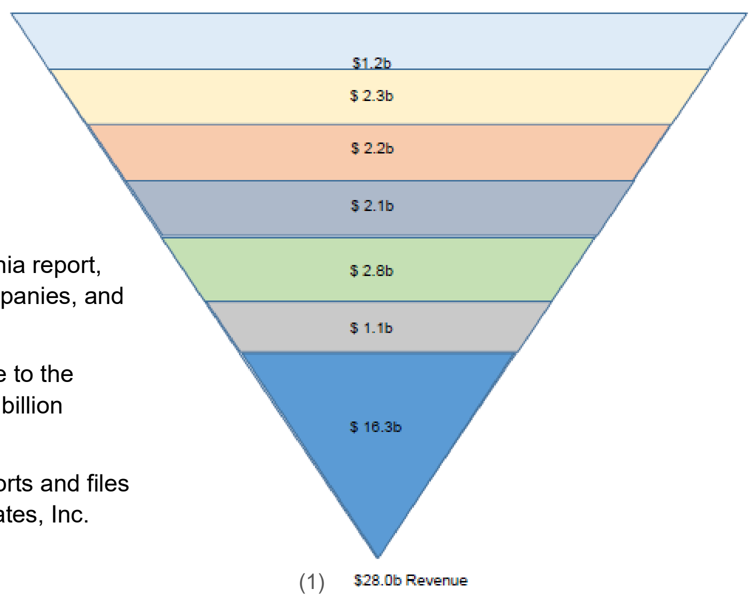
Revenues and Number of Companies

Number of Companies



Revenue Category	# of Companies
Over $1b	3
$300m - $1b	3
$100m - $300m	17
$ 50m - $100m	25
$ 20m - $ 50m	70
$ 5m - $ 20m	220
$ 0 - $ 5m	7,662
	8,000 (2)

Market Size in Dollars



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

Size of the Market

(as of 12/31/19)

Freedonia and IHS Markit Report, the large international research and reporting agencies, are generally in agreement that the size of the ***NORTH AMERICAN OUTSOURCED SECURITY SERVICES MARKET FOR 2019*** is approximately $31 Billion (including Canada and Mexico). We estimate the U.S. market to be approximately $28 Billion, including an insignificant portion from Canada and Mexico reported in the revenues of the large companies such as Allied Universal, Securitas and G4S - since these companies do not separate their revenues by country. Based on our survey of company owners, and review of the annual reports for the public companies, the overall market grew about 4% in terms of increased revenue. However, not all of the increase in revenue came from new customers outsourcing their security needs. Some of the growth came from increases in billing rates, traditional manned guarding companies buying electronic security companies; and a "pick-up" in revenue based on movements in foreign exchange rates after converting foreign currency to U.S. dollars for the foreign companies operating in the U.S. 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; now delivering a much more effective security function and better trained officers than that provided by their in-house security department.

THE CHALLENGES IN DETERMINING THE SIZE OF THE MARKET

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

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

Size of the Market
(as of 12/31/19)

Most reporting agencies, in preparing their estimates of the size of the industry and growth expectations – again, in terms or gross revenue and not necessarily new customers employing contract security - rely heavily on the public information of the larger companies; and the U.S. Census reports from the U.S. Federal government. The U.S. Census reports ask for revenues from the main line of business of the reporting company which allows for inaccurate sector amounts for a company with two or several lines of businesses; each having a different Standard Industrial Classification code.

The authors of a report on the “private security Market”, funded by the US Department of Justice a few years ago, found that accurately pegging the size of the Market was very challenging. They found that a broader definition of the Market will result in a higher estimate of the total revenue simply because the revenue of more companies will be included. Thereby resulting in the higher end of their estimate being more than double the lower end – depending on what services they included in their study.

The $28bn is consistent with our confidential internal files that identify the revenues, company-by-company, of many of the estimated 8,000 companies operating in the U.S. The combined revenues for the individual companies we have identified through conversations with the owners and other verification procedures are approximately $24bn with the remaining $4bn in revenues coming from the smaller companies, for which we don’t have specific revenue numbers. We are not including cash-in-transit (armored vehicles) or “pure play” Federal government security providers. This is a huge market, the size of which is very difficult to quantify in terms of security spend in the various world locations. The figures, if could be obtained, would also be distorted somewhat by the fact that there’s a lot of minority and protégé sub-contracting that create the possibility of double counting of the revenues in determining the size of this segment of the market.

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

The chart below details our estimate of the growth for the Market for 2019 (by source). Many of the company owners that participated in our survey indicated that they were able to obtain billing rate increases from their customers to help offset the wage inflation resulting from the record low unemployment rates - prior to COVID-19. We estimate that, based on this survey, 2% of the growth in the market is the result of these billing rate increases. Also, this year our survey revealed that some, but by no means the majority, of the larger regional companies were growing through existing customers adding billing hours or obtaining new customers who previously did not have contract security. We estimate that 1.3% of the 3.5% growth in the manned guarding sector was the result of real growth in the new security provided and not a play on increase in billing rates. There were no major purchases of systems integration companies by manned guarding companies during the reporting period.

The figures below were derived from known increases in the large reporting companies; with differences applied (a decrease) to the regional and small companies to arrive at 4% overall market growth.

Size of the Market
(as of 12/31/19)

Source	Large Companies	Regional and Small Companies	Total Industry
Electronics/Systems Integration	0.5%	nil	0.5%
Manned Guarding:			
New Revenue	2.5%	-3.0%	1.3%
Billing Rate Increases	2.8%	1.0%	2.0%
Monetary Exchange Rate	0.2%	nil	0.2%
Percent Increase	**6.0%**	**-2.0%**	**4.0%**

Size of the Market NOW

SIZE OF THE MARKET NOW?

It's too early to tell how the 2019 Market size will be affected by the pandemic; and by the end of 2020, the size may still remain a big question mark.

In preparing for this white paper, we asked many owners of contract security companies to tell us about their company and how it's being affected by COVID -19. Most said their revenues were down by less than 5%, and surprisingly many that reported lower revenues also reported higher than normal profits due to a lot of COVID-19 related temporary services they were providing at high margins. Overall, and as we expected, whether the revenues were down depended on the amount of business the companies were doing with the "affected industries" – primarily hospitality, airlines, certain retail sectors and sporting events.

Although the Federal government has provided stimulus monies to struggling companies, many say the negative effects of the virus will linger long past the time the monies have been spent. Our country has already experienced a record number of bankruptcies and business closings.

A June 29, 2020 Fortune magazine article, in quoting James Hamond, CEO of New Generation Research said this about bankruptcies caused by COVID-19 . . . "I'm pretty confident we will see more bankruptcies than in any business person's lifetime. Ranked by assets alone, the magnitude of bankruptcies this year has already surpassed that of 2008. And that's not including what could happen when the government's Paycheck Protection Program, which aims to keep small businesses up and running with loans that can be converted to grants if certain terms are met, runs out. The largest Chapter 11 bankruptcy so far has been that of car-rental company, Hertz. Unable to hold on after the travel Market effectively hit the brakes, the company is now selling off much of its fleet in a bid to meet demands from creditors. Others in the sectors ranging from oil and gas, to retail, to aviation have similarly suffered in navigating the pandemic."

An excerpt from a CNBC August 29, 2020 report on a Federal Reserve release indicated that ". . . the U.S. gross domestic product tumbles at a rate of 32.9% in the second quarter as the pandemic shut down most non-essential activities. A return to growth is expected in the third quarter, though a resurgence in the virus is casting some doubt on how aggressive the bounce back might be."

Given the above bad news about how the "affected industries" are dragging down our economy, coupled with the probable increases in security revenues from lingering COVID-19 services and ramped up security needs

Size of the Market NOW

resulting from the civil disobedience, no one can predict, with any reasonable degree of accuracy, the size of the present security market or what it might be in the near future. Some are saying it may take five years, or longer, for the airlines Market to recover; others are saying the brick and mortar retail establishments will never fully recover as the pandemic has drastically changed the way consumers do their shopping.

The good news, assuming we can really call it good news, is that although the contract security Market will have to do a lot of adjusting and reinventing itself, the Market remains recession resistant and will survive, better than most industries, any down turn in the economy. In the final analysis, whatever our "new normal" will be after the pandemic is behind us, companies and citizens will still need security; albeit maybe a shift in the mix of security officers and integrated guarding.

NUMBER OF EMPLOYEES AS OF DECEMBER 31, 2019

It still remains a challenge to find credible information on the number of people working in the outsourced contract security Market in the United States. The latest report by the Bureau of Labor Statistics (issued in May 2019 and the most widely quoted source for the security Market) indicates a total of 1,126,370 "Security Guards". It includes some categories of labor not normally classified as manned security personnel, 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 small companies. We arrived at 830,000 estimated employees in the Market 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.

NUMBER OF EMPLOYEES NOW?

For reasons stated above regarding the uncertainty of the size of the present market in terms of gross revenue, the employee count is equally as difficult or impossible to quantify. Our conversations with owners revealed that the owners that applied for the Payroll Protection Program forgivable loans were keeping unneeded personnel on the payroll to make sure the loans were forgiven by the Small Business Administration (SBA). Also, in many cases the extra head count helped to eliminate the non-billable overtime premium cost factor, prevalent during the period of low unemployment – pre COVID-19 era.

Employees

(as of 12/31/19 and Now)

NUMBER OF EMPLOYEES - CONTRACT VS. PUBLIC POLICE FORCE

An August 2017 article in Forbes indicated that there were almost 700,000 police officers in the U.S.; which at 830,000 outsourced guards (our estimate), puts the ratio at 1.2 outsourced guards to every public policeman. However, what's uncertain at this point is the ultimate outcome of the movement to "defund" the police forces around the country. Although both presidential candidates say they are not in favor of full "defunding", both have indicated a move to make changes. Many are saying the changes will mean more companies and individuals will be looking for the outsourced security market to fill the void created by lessening the number of public policemen on the streets.

COMPENSATION

The May 2019 Occupational Labor Statistics report indicated that the median wages for contract security officers were approximately $15.88 (up from $15.50 in 2018) per hour worked; and $33,030 (up from $32,050 in 2018) for full-time gross annual pay. These figures vary significantly depending on: the area of the country, whether the employee is working at a unionized facility; and whether or not the employee is working at a Federal government facility where the wage and benefits are mandated by the Federal government contract. Also, the wages are rising due to the need to hire better qualified personnel for operating and managing the growing technical offerings of the Contract Security Companies – especially the offerings previously mentioned for the Big 5 world leaders.

Most contract security companies are preparing now for the inevitable increases in minimum wage. Many states and/or municipalities have already set the minimum wage at $15 per hour, or graduation levels to get to $15 per hour over a set number of intervals – usually around a 3 year period. If our congressional control, during the upcoming elections, shifts and a minimum wage is mandated country wide; then the $15 per hour minimum may become mandatory much sooner than the targeted phase-in plans.

ARMED EMPLOYEES

Employees NOW

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

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

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

Industry Growth

SOURCES OF GROWTH

(See also pages 60 - 64 for an expanded discussion on the below and details on other possible events leading to growth in the industry)

IN-HOUSE CONVERTING TO OUTSOURCED SECURITY

It is estimated that the market size for companies providing their security in-house is about $20 Billion; based on what they would have to pay at out-sourced security rates. A study by our firm indicated that 60 – 75% of this market may be favorable for converting from in-house to outsourced security. The remaining 25 – 40% have internal requirements that prohibit them from outsourcing the security function. What is not clear, however, is why most of the contract security companies are not more aggressive at targeting and educating this market segment that can, and probably should, out-source their security. However, recently some of the large security companies have introduced technical applications, such as Artificial Intelligence, that will greatly enhance the security function. These applications are too expensive for the companies with in-house security to reproduce; therefore driving these companies to outsource security companies to fill this need.

COST CONSIDERATIONS

Companies, (and more recently, municipalities) looking to cut costs are eliminating their in-house security program and using contract security companies. Typically, in-house security employees will cost their employer more due to long term tenure with the company and expensive retirement benefits. By contracting out the security function, companies and municipalities are getting better trained security personnel, in many cases, for less total outlay. Although there were many companies making this move during this reporting period, the amount of new revenue generated was minimal when compared to the $28 billion market.

THE NEED TO UPGRADE SECURITY FUNCTIONS

Many companies today are finding that their in-house force isn't prepared to handle a major crisis. Therefore, they're looking to outsource this function, not only for the cost savings described above, but also to make sure they have the right security in place when it's needed. The contract security company will, in most instances, have better trained personnel and more state-of-the-art technology to handle the security challenges of today. After all, it's the contract security company's goal to have the best and most effective security at competitive prices (the competition makes sure this happens); that's what they do and they have to do it best.

Industry Growth

INCREASING CRIME AND TERRORISM

Immediately after 9/11 there was a large spike in outsourced security, which eventually settled back down, although to a higher level than it was before the terrorists attacks. The fear of another major terrorist attack still looms in the minds of the citizens in the US, but adding to that is the increase in the crime rates in general.

There's been a growing number of mass murders in our schools, theatres, shopping malls and sporting events; and still growing concerns over airports, nuclear sites, subways, and hospitals. And not only places where a large number of people congregate, but small gatherings as well – all having a chilling effect on our nation. All this points to a compelling reason to initiate or ramp up security at places not historically in need of outsourced security protection.

GOVERNMENT AGENCIES OUTSOURCING

The public police forces are, in most cases, operating on limited budgets, with outdated equipment and a low morale due to the attacks on policemen by our local community. Many insurance companies, as well as municipalities, are now demanding that companies provide adequate protection. The companies and municipalities that have a need to protect their property, employees, and citizens will be looking to the outsourced market as a way to respond to this ramped up demand. An April 18, 2019 Channel 6 News report from Milwaukee, Wisconsin announced a new effort to fight crime in the city by brining on cameras, security patrols, and a private security company to provide trained officers. A May 7, 2019 article in the Richmond Times-Dispatch indicated that . . . " Virginia is signing a $7M contract with a private security firm to transport mental health patients freeing up law enforcement. Many of the larger security companies started preparing for this increase in demand several years ago and are ready to respond.

Many sources indicate that a large growth in the outsourced contract security industry may be coming from airport passenger screening and other airport security functions presently handled by the Transportation Security Administration (TSA) in most of our airports. There are presently around 20 airports in the U.S. using outsourced security—the largest being San Francisco. However, many other large airports are considering making the change. (Note: Presently the airline market is depressed due to COVID-19, diminishing somewhat the possible growth through privatizing the TSA function)

ENHANCING MANNED GUARDING WITH ELECTRONICS

A recent survey by our firm indicated that many contract security companies today that are actually growing, are doing so by offering systems integration, integrated security, or some other type of electronic security enhancing services. However, such companies as ADT Commercial and most recently the DIY Ring offering are gaining traction in providing services traditionally provided by the integrated security companies - thus may be a future threat to the manned guarding sector of the security industry.

Industry Contraction

SOURCES OF CONTRACTION

(See also pages 60 - 64 for an expanded discussion on the below and details on other possible events leading to a contraction of the industry)

COMPANIES CLOSING

Certain industries adversely affected by the downturn in the economy a few years ago are just now closing locations, thereby eliminating the need for security once needed in those areas.

CONVERTING TO IN-HOUSE SECURITY

Some companies are eliminating contract security and using their own personnel to handle the security functions as a way to justify keeping the valuable employees . . . However, the converse of this is true in many instances as mentioned under "Growth Factors" on page 50.

REPLACING MANNED GUARDING WITH ELECTRONICS

Some companies are eliminating security officers entirely and replacing with electronic security; and some companies are just reducing the security force and supplementing with integrated security or other electronic security options.

MARGINS

Margins
(as of 12/31/19)

The margins and EBITDA for the large and small companies did not show a significant change from our last white paper (July 2019) through the start of the Coronavirus shutdown. However, there are major changes in the financial structure of all the contract security companies as a result of the shutdown (now going on for about six months) and some major changes that could take place should our administration change in the coming elections. Since the changes resulting from the Coronavirus is still evolving, we are not able to report on the effects to revenue and profits in this white paper. Some experts are saying the pandemic will be over by the beginning of 2021 and we'll be back to normal; while others are saying the effects of what's happening now will be felt for many years into the future.

Since the financial picture of most companies did not change starting from the date of our last white paper (July 2019) through the beginning of the pandemic, we're repeating the 2019 charts as follows:

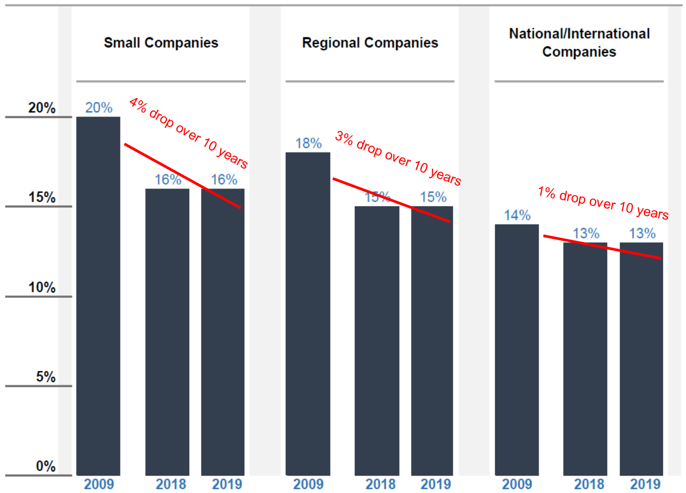
On pages 56 and 57 are the 2019 charts, with 10-year trends, showing the typical margins and EBITDA for the small, regional and national/international U.S. Contract Security Companies – with an insignificant portion of the revenue coming from the governmental sector (typically very low margin business). There is no margin or EBITDA information published for the Market, except in the annual reports of the two public companies - Securitas and G4S; and Garda, which is not publically traded, but makes its annual reports available through a Canadian reporting agency. The aggregate U.S. manned guarding revenues of these three companies, as presented in our 2019 report, represented approximately 30% of the U.S. Contract Security market. The information in these charts were prepared based on a review of the annual reports of these three companies and conversations with key executives of the large privately-held companies; as well as financial reports sent to our office by owners of various small and regional privately-held manned guarding firms.

The resulting figures in the charts indicate a decrease in margins over the past few years [leading up to the start of the pandemic] of approximately 4% for the small companies and 3% for the regional companies. However, it's interesting to note that although the margins at the site level have slipped, EBITDA has 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 for decreasing operating costs; hence the reason the EBITDA was, and still is, decreasing significantly for these smaller companies.

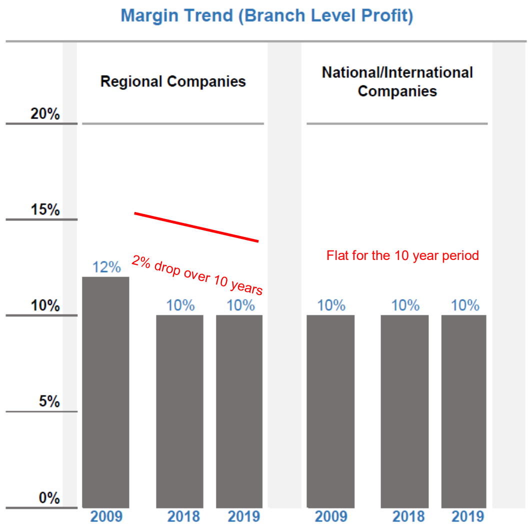
Margins
(as of 12/31/19)

10-YEAR MARGIN TREND

Margin Trend (Site Level Profit)



Margin Trend (Branch Level Profit)

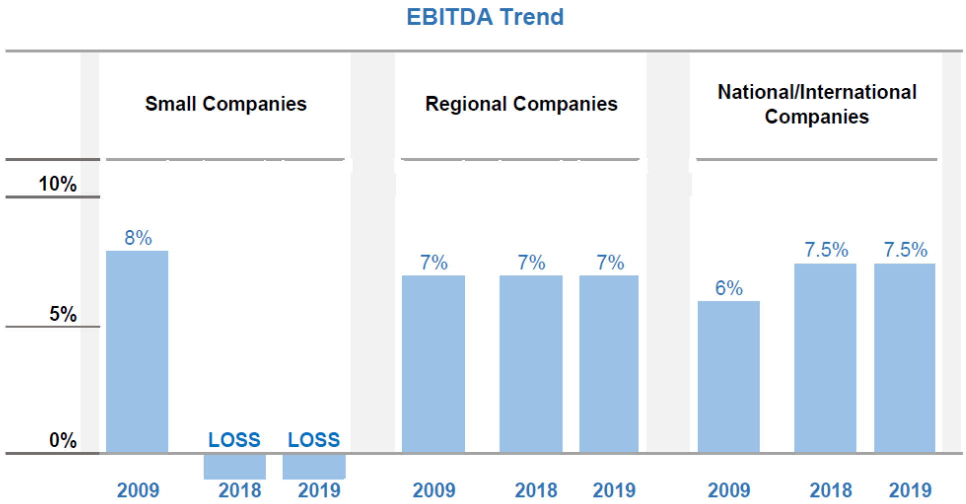


Note:

- **The International World Leaders with significant revenues coming from the "emerging markets" report company wide margins in the 18% - 20% range; underscoring the continuing competitiveness of the U.S. manned guarding market.**
- **See page 58 for definition of terms**

Margins
(as of 12/31/19)

10- YEAR EBITDA TREND



The Tax Reduction Act of 2018 reduced the taxes paid, below the EBITDA line, for most corporations by 14%. Securitas and G4S stand to gain approximately $50M from this reduction in tax rates.

Margins
(as of 12/31/19)

DEFINING TERMS ON THE PREVIOUS CHARTS:

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

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

BRANCH LEVEL PROFIT

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

EBITDA

Earnings Before Interest Taxes Depreciation and Amortization.

SMALL COMPANIES

Revenues less than $10 million; owner manages the business and has customer relationships. Usually inefficient in back-office operation and pays more on a per-unit cost for insurance, uniforms, etc. In addition to the previously mentioned cost increases, gross margins are slipping due to the larger companies' recent interest in the smaller accounts, which typically have higher margins. Adding to the margin erosion for the small company have been the pricing pressures from the customers.

REGIONAL COMPANIES

Revenues $10 - $100 million; owner less involved in customer relationships, operates multi-offices – usually volume is $5 - $10 million per office. These medium sized companies are also experiencing margin slippage due to the previously mentioned costs. Although the margins are decreasing, the EBITDA has remained relatively constant due to a lot of "belt tightening" at the administrative cost level.

The Branch Level profit can be much lower for regional companies with many small offices in areas with an insufficient volume to justify the branch office overhead. This is often found in companies that are expanding through entering new markets, or having to maintain a support office to service a large account with multiple locations.

Margins (Now)

PROBABLE OPPORTUNITIES AND CHALLENGES AHEAD FOR OWNERS OF CONTRACT SECURITY COMPANIES:

Financial Model	Companies Affected	Profit Effects
Revenue		**Increases Profit:**
	Large	Additional High Margin Services Related to COVID-19 Pandemic
	Large	Civil Disorder Over "Defunding" the Police Force
	All	Legalizing Cannabis at Federal Level
		Decreases Profit:
	All	Banks Tightening Lending Standards
Labor 65 - 70% of Revenue		**Increases Profit:**
	All Small and Some Large	Federal Government Payroll Protection Program Stimulus Monies
		Decreases Profit:
	All	Possible $15/hour National Minimum Wage
	All	Predictive Scheduling
	All	Increase in Non-Billable Overtime Pay
Labor Loads 15% - 20% of Labor		**Decreases Profit:**
	All	Restore Full Provision of the Affordable Care Act (ACA)
EBITDA 6 - 8%		
Corporate Income Tax		**Decreases After Tax Income:**
	All	Possible Tax Increase
Tax on Sale of Business		**Decreases Proceeds from a Sale:**
	All	Possible Higher Taxes on the Sale of a Business

See detailed explanation of above on pages 60 through 64.

Margins (Now)

PROBABLE OPPORTUNITIES AHEAD FOR OWNERS OF CONTRACT SECURITY COMPANIES:

ADDITIONAL HIGH MARGIN SERVICES RELATED TO THE COVID-19 PANDEMIC

Even though many companies reported a decline in revenues due to customers shutting down or decreasing their billable hours, some of the companies made up for the loss through high margin COVID-19 services such as temperature checks, crowd capacity control, mask and social distancing monitoring. The companies that have been investing heavily in artificial intelligence are getting rewarded in a big way as these platforms can now use data analytics as effective pre-screening solutions and predicting crowd flow. In fact, many companies that offered this service reported that their earnings were up substantially. However, as of the publishing of this white paper report, the companies are anxiously awaiting for Congress to include, in the next COVID relief bill, a provision that relieves companies from liability for offering such services. Without this relief, it's undetermined at this point if the companies will continue offering these services – unless they can obtain insurance coverage; which is still in question.

CIVIL DISORDER AND DEFUNDING THE POLICE FORCES

A push to cut funding to police departments have escalated amid protests over the recent death of George Floyd in Minneapolis. While most lawmakers do not support all the cuts being demanded by the protesters (all over the U.S. and globally), they are looking at passing laws that make for a "softer" police force; thereby possibly putting the safety of the citizens and property at risk. Many contract security companies have seen a spike in their revenues as they have been called on to provide security to their buildings and employees located in the protest zones. Also, many security companies anticipate that some of the spike in revenue may become permanent if the "defunding" ultimately results in companies having to look to contract security, in the form of electronics as well as manned guarding, as a way to fill the void created by the public police force's new policies. The big question at this point is whether or not the contract security company, in expanding its reach into the municipal sector, will ultimately be facing the same scrutiny as the public force – which of course has already been happening according to some recent published reports criticizing the private security Market.

Margins (Now)

LEGALIZING CANNABIS AT THE FEDERAL LEVEL

The cannabis Market is one of, if not the, fastest growing industries in the world, but it's still not legal at the Federal level in the U.S., despite the fact that 44 states, as well as Washington, DC, have legalized marijuana in one form or another. Archview Market Research and BDS Analytics predict a 32.92% Compound Annual Growth Rate [worldwide] by the end of 2026.

In spite of this tremendous growth in a Market needing quality security and willing to pay for it, very few security companies operating in the U.S. have entered the Market. The ones that are still on the sidelines say their banks are afraid to take on the business and insurance companies decline coverage since it's still technically considered an "illegal" business. However, there are reports that leadership in the House of Representatives may introduce a bill in September to put Federal legalization of the cannabis Market in motion. If the bill ultimately passes, many security companies qualified to handle this type of security will greatly benefit from this rapidly growing Market. [Sources: marijuanamoment.net website and PRNewswire July 09, 2020; WSJ June 03, 2020]

FEDERAL GOVERNMENT PAYROLL PROTECTION PROGRAM STIMULUS MONIES

The Federal government made funds available to help struggling companies keep their employees during the pandemic. The total funds available under this program was approximately $600 billion. It gave companies having fewer than 500 employees a forgivable loan (with certain qualifications having to do with employee retention) equal to 2.5 times its 2019 average monthly payroll cost. There was also a little known provision in the program that also made these funds available to larger companies – up to a maximum forgivable loan amount of $10 million.   Many contract security companies took advantage of this program making it possible to keep employees on the payroll even though in many cases the lower volume of business resulting from lost hours caused by COVID-19 did not justify keeping the excess employees. In fact, many companies were able to get the funds even though there was no decrease in revenue to cause a layoff since the forgiveness of the loan was based on employee retention and not a diminishing revenue.

Margins (Now)

PROBABLE CHALLENGES AHEAD FOR OWNERS OF CONTRACT SECURITY COMPANIES:

BANKS TIGHTENING LENDING STANDARDS

Most all contract security companies look to their banks for the monies they need to grow revenue and pay operating expenses. However, many of the security companies may find themselves scrambling around for a new bank, or worse yet, may not be able to find one at all when the time comes to renew their line of credit . An August 3rd Reuters article said this about the dilemma: “Loan officers at U.S. banks reported tightening standards and terms on all types of business, real estate and consumer loans in the second quarter [of 2020] as widespread coronavirus-related shutdowns plunged the economy into recession and tens of millions of workers lost their jobs”. The article went on to say that . . . “on balance, lending standards across all loan categories were at the “tighter end of the range” of standards in effect from 2005 to the present”. Manned guarding companies are more susceptible to this tightening of the lending strings than most other industries since usually the loans are collateralized by the predictableness of the revenue streams and the turnover days of receivables outstanding – both benchmarks acting in a negative direction for manned guarding companies, in particular, during the COVID-19 days of uncertainty.

POSSIBLE $15 NATIONAL MINIMUM WAGE

The present Democratic platform calls for a *national* $15 per hour minimum pay rate, in addition to a mandatory paid family leave provision. Many manned guarding companies operating in rural areas are paying round $12 per hour to their security officers and even lower in some areas, which means if the $15 per hour mandated rate passes, even though it would probably be phased in over several periods or years, the billing rates to the customers would have to be increased dramatically; thereby driving many customers to reduce their billable hours or eliminate on site security officers altogether and replace it with electronic security. These provisions, as well as many other anti-business legislative changes, have been supported by the Democratic candidates for years and most business owners are now concerned that they may become a reality if the Democrats gain a majority representation in the upcoming political elections.

Margins (Now)

PREDICTIVE SCHEDULING

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

Chicago is the only venue, so far, that has specifically included security services under its list of businesses required to meet the standards of the Act. The other venues only included retail and hospitality industries. For security companies operating in Chicago, the Act counters the on-call and "just-in-time" scheduling practices most commonly used and needed by manned guarding companies to fill an empty post assignment. Although this definition of covered employees would include most activities performed by the traditional manned guarding companies, there are certain exclusions covered in the act. This new Act is not only troubling for the owners of traditional manned guarding companies operating in the city of Chicago, but owners of manned guarding companies in other areas of the country are now concerned that their geographical coverage may be the next target for Predictive Scheduling. However, the states of Georgia, Iowa, Tennessee and Arkansas have passed statewide legislation that forbids this type of ordinance citing the reason being that such laws put the employers in that state at an economic disadvantage when compared to other states that do not have this type of law. [last sentence from July issue of *Employee Benefit News*]

INCREASE IN NON-BILLABLE OVERTIME PAY

Typically, in periods of high unemployment, the non-billable overtime pay is reduced since there is an increase in the availability of labor to fill the posts. The Federal government's $600 per week unemployment supplement, in addition to the state's normal weekly benefit amount, created a large disincentive for millions of Americans to return to work – because they can make more money staying at home. According to a report by the University of Chicago and American Action Forum, 60% - 70% of individuals on unemployment are making more than they did in their last job thanks to the federal supplement – and the bottom 20% of wage earners are making, on average, double what they made before. However, some of the owners we surveyed said the situation is starting to improve as previously laid off workers are starting to return for fear that they may wind up in the back of the line in trying to get their old job back if the $600 per week supplement, presently scheduled to end July 31, 2020, is not extended; prompting the people presently drawing unemployment to start looking for jobs again.

Margins (Now)

RESTORE THE FULL PROVISIONS OF THE AFFORDABLE CARE ACT

The present administration has eliminated many of the provisions of the Affordable Care Act that were expensive to employers – the most significant of which was the Individual Mandate section of the law. However, the Democratic platform calls for the full restoration of the original provisions of this Act; which many companies found very costly and time consuming to implement.

INCREASE IN STATE UNEMPLOYMENT INSURANCE RATES

Although the state unemployment benefits helped millions of laid off workers survive during the pandemic, the strain on the state unemployment funds was significant. Typically, during a time of high unemployment, the employers in that state face large increases in rates as a way to replenish the unemployment fund. As of May 26, 2000, [www.taxfoundation.org] reported that only half the states have declared that the cost of the COVID-19 related layoffs will not be charged against the businesses operating in that state. This leaves the businesses operating in the other half of the states facing a drastic increase in their unemployment tax rates in the near future.

POSSIBLE TAX INCREASES

Early in the Democratic platform, there were indications that the Republican's tax cuts put into effect two years ago, would be reversed. One of the most attractive aspects of these cuts to corporations was reducing the tax rate from 35% to 21% and a reduction of approximately 8% in taxes for companies operating as "flow through" entities (i.e.; partnerships and Sub S corporations, etc.). The latest platform calls for the taxes to be increased from 21% to 28%, thereby eliminating about half of the Republican tax cut for corporations; but still a major "hit" to the after tax income for the companies.

TAXES ON THE SALE OF A BUSINESS

The Democratic platform calls for the elimination of certain tax deductions (mostly for individuals); however the most concerning tax change to owners looking to sell their company in the near future is the proposal to eliminate the tax favored long term capital gain rate on the sale of investments. The platform calls for investment income to be taxed the same as labor income; which means the rate goes from the present 21% to around 35% on the sale of a business. What's even more troubling for owners thinking about selling, but wanting to wait a few months, is the fact that many tax advisors are predicting that if the new legislators make the change in 2021, the change may be effective for any sale transactions after December 31, 2020 rather than when the change is actually approved.

MERGERS

SIGNIFICANT TRANSACTIONS

Reporting Period: Year 2019 up to September 14, 2020 *(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 will not be addressed in the list of transactions below.

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

Following are the ***announced*** transactions (except where noted) during the reporting period – primarily involving sellers with revenues exceeding $100 million (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.

Mergers

ALLIEDUNIVERSAL® There for you.

Manned Guarding

Companies with revenues less than $100 million:

AUS announced 5 acquisitions of companies with combined revenues of approximately $175 million.

Large manned guarding transaction:

On ***November 21, 2019***, Allied Universal announced a transformational merger with SOS Security. SOS was founded in New Jersey in 1969 and at the time of the merger had over 15,000 employees located in five countries. SOS' revenues at the time of the merger is estimated to be approximately $600 million.

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

Mergers

Systems Integration

Allied Universal announced 4 acquisitions in the systems integration sector with combined revenues of approximately $150 million. The most significant of which was Securadyne Systems, a security systems integrator having revenues of approximately $75 million generated from its 17 branch offices.

Allied Universal transactions with its investors

On February 20, 2019, Allied Universal announced that Caisse de dépôt et placement du Québec "CDPQ" invested approximately $400 million of capital, alongside company management and current financial partners, Warburg Pincus and Wendel, to support AUS' aggressive acquisition strategies.

On December 13, 2019, Allied Universal's existing shareholders completed a sale of a majority stake in the company to "CDPQ"; and a new investment group led by Warburg Pincus and an affiliate of the J. Safra Group. As part of the transaction, Wendel sold 79% of its total investment in Allied Universal, for net cash proceeds of $721 million and will retain an ownership of approximately 6%.

The transaction values Wendel's net investment, including realized and unrealized proceeds, at approximately $920 million, or approximately 2.5 times its total invested capital – realized during its 13 month ownership of the majority shares of Allied Universal.

On April 29, 2020, the Wendel Group sold its remaining 6% interest to the remaining shareholders for $196 million.

Mergers

During the reporting period, Securitas bought Global Elite Security in the U.S. – a $32 million ***airline security company***, and MSM Security – a $15 million ***inspections and background investigations company.***

However, ***Securitas' primary acquisition focus is in growing its electronic security offering*** – buying six small electronic security companies located in The United Kingdom, Australia, Spain and the customers of I-Verify in the U.S.

Garda completed many small transactions during the reporting period, which it didn't announce or identify in its annual reports.

Garda listed several larger acquisitions in its annual reports, the most significant being the acquisition of the Whelan Group on April 05, 2019 – paying approximately $160 million for over $250 million of revenue.

On July 13, 2020, Garda put out a press release on its acquisition of WorldAware - a risk management firm based in the United States. WorldAware, with approximately $50 million in annual revenue, will be combined with Garda's Crisis24 subsidiary to create a dominant Market presence in the integrated security risk management sector.

Garda's transaction with its investor

On July 23, 2019, Garda announced that BC Partners, a leading International private investment firm, and others have reached a definitive agreement to acquire Rhône Group's equity interest in Garda World Security Corporation in a CN $5.2 billion recapitalization. Following the transaction close, BC Partners will have a 51% common equity interest in Garda World while Stephan Crétier together with select members of management will hold 49%.

Mergers

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

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

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

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

Mergers

PRIVATE EQUITY GROUPS INVESTING IN THE CONTRACT SECURITY MARKET

Private Equity Groups (PEG's) 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'S VIEW OF THE SECURITY MARKET IN LIGHT OF THE PANDEMIC

Traditionally, the PEG's 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 72**. *Private Equity is now heavily invested in the manned guarding security Market. The revenues from Private Equity owned North American based contract security companies is now approximately $12 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 PEG's, or the PEG's 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 PEG's are investing very cautiously. ***And as mentioned above, the PEG's 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 PEG's 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 PEG's are developing technology (which requires a large financial commitment), paying high multiples for well-run tuck-in companies with characteristics consistent with their growth criteria, and paying salaries high enough to attract the seasoned executives capable of making all of this happen.

Mergers

PRIVATE EQUITY HAS BEEN A SOURCE OF RETIREMENT FOR OWNERS OF WELL-RUN COMPANIES

Collectively, the very few PEG's 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 PEG's are paying. The privately held company buyers are not sitting on a stash of idle cash, therefore have to rely on bank loans to finance the acquisition. The banks are requiring the buyer/owners to collateralize the loan with the net worth of the buying company as well as the personal assets of the buyer, which the "would be" buyer does not want to do; and the sellers are not willing to take a long term note.

As mentioned in the **Significant Transactions** section (page 66), 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 PEG's 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 PEG's that have recently entered the market are doing (page 72).

Mergers

PRIVATE EQUITY INVESTING IN THE CONTRACT SECURITY MARKET

Company	PE Partner	Date Invested	Overview
GuardOne Security	Capitala	June 2015	Capitala has a significant investment in Security Solutions of America - the parent company of Guard One Security.
Allied Universal Security Services	Wendel; Warburg Pincus; Partners Group; CDPQ Caisse de dépôt et placement du Québec	Various	All of the Private Equity Groups are co-investors and own collectively about 90% of Allied Universal
GardaWorld	BC Partners	July 2019	BC Partners owns 51% of GardaWorld, with Stephan Crétier, the CEO, together with select members of management owning 49%.
PPS	Sunlake Capital; Mangrove Equity Partners	December 2018	Sunlake teamed with Mangrove Equity to form PPS, the parent company for select roll-ups in the manned guarding sector.
Protos Security	Southfield	March 2019	Southfield Capital formed Security Services holdings to pursue a roll-up strategy of manned security guard companies and tech-enabled security solutions alongside its platform acquisition of Protos Security. The company also owns Strategic Resources International.

MULTIPLES

THE LARGE TRANSACTIONS ARE BEING DRIVEN BY PRIVATE EQUITY

Multiples

Securitas and G4S quit buying large U.S.-based manned guarding companies approximately 15 years ago; instead they have been buying mostly electronics and high profile critical infrastructure businesses. However, the large Private Equity Groups have been very active in the contract security space since the acquisition of Allied Security by MacAndrews & Forbes in 2003.

Most of the large transactions announced in the years leading up to the Allied Barton/Wendel transaction in 2015 - coming in at almost 12 times EBITDA - indicated average purchase price values in the 8 - 9 times ***the seller's*** EBITDA range. The large transactions in the past 3 years have been in the 10 -12 times ***the seller's*** EBITDA range, but a much higher multiple on the seller's EBITDA where the buyer is a larger contract security company; gaining a significant redundant cost savings through consolidating the operations. Allied Universal was valued at almost 100% of revenue (about 12 times EBITDA) in the sale of the majority interest to CDPQ in December of 2019 – giving Wendel almost 2.5 times its original investment in a little over one year of ownership. All the transactions were financed by Private Equity, which takes its investing cues from the direction of the financial markets. Although the U.S. is (or at least ***was*** until the Pandemic hit) experiencing the best economy in decades, there are concerns on the horizon: the variables in borrowing money, the instability of the foreign markets, the uncertainty of COVID-19, and the upcoming election - which many say will mean higher taxes as well as a general shift of governmental attitudes toward business owners of all sizes. All these aforementioned variables now come into play when trying to predict the multiples Private Equity can and will pay for companies going forward.

There have been several Private Equity Groups to enter the market during the reporting period, with their initial buy being companies as small as $10 million in revenue. 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 and operating systems and procedures. The multiples these PEG's paid were at least as high as what the Market buyers would have paid, even though the PEG'S return on investment in the short term will not be as attractive as the Market buyers were enjoying. However, the PEG's had to be competitive in the bidding process for the initial buy. As the PEG's 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.

As for the companies already owned by Private Equity Groups, they 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. Given that the total revenues of the companies owned in the majority by PEG's are in the $9bn range; at a 90% customer retention rate, the companies must have combined new revenues coming in of around $1.3bn in order to just meet the 5% market growth performance. Although a lot of the new revenue will be coming from the companies entering new geographical foreign markets, price increases and more aggressive marketing efforts; much of the growth will still be coming from select tuck-in acquisition opportunities.

Multiples

As for Allied Universal, with its recent infusion of approximately $1 Billion for acquisitions, it will continue to go after large companies, especially to increase its service offerings, not only in North America, but foreign opportunities as well.

As mentioned at the "Significant Transactions" section behind the "Mergers" tab, there were many Transactions completed this reporting period, announced and unannounced, with sellers having less than $100 million in revenue by regional as well as National and international company buyers. We estimate the total revenue values for this group of sellers to be in the $200 million range.

Multiples

PRIVATE EQUITY BUYING SMALL COMPANIES

Security companies owned by Private Equity are making offers for their smaller competitors based on a multiple of the ***SELLER's Gross Profits - the profit at the site level - rather than a multiple of the EBITDA. This often results in a very attractive price for a company that's only marginally profitable or actually losing money.***

ALTHOUGH THIS MULTIPLE HAS INCREASED SIGNIFICANTLY OVER THE PAST FIVE YEARS, SELLERS AREN'T NECESSARILY RECEIVING A HIGER PRICE FOR THEIR COMPANY.

As the revenue and/or gross margins of many of the small companies have dropped in the recent past, the selling price has remained steady or decreased since the higher multiple is applied to a lesser gross profit. Buyers are buying profit, not gross revenue.

WHY BUYERS ARE PAYING HIGHER MULTIPLES

The cost of borrowing money has decreased significantly in the past months, allowing the buyers to pass this savings on to the seller in order to entice the "fence straddlers" to come to the closing table.

Also, the Private Equity Group owners were demanding acquisition growth from their manned guarding portfolio companies, which required higher than market multiples in order to entice the owners to sell.

WILL THE MULTIPLES OF CASH FLOW KEEP GETTING HIGHER OR IS THERE A "CORRECTION" ON THE HORIZON?

Given the present state of uncertainty due to COVID-19, the possible impact to businesses if there's a change in the administration, and the already historical high level of the multiples, it's highly unlikely that the multiples will increase in the near future. In fact everything points to a probable diminishing of the multiples for the smaller companies.

Multiples

The present multiple level is very close to reaching 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 criteria and has to meet more stringent due diligence criteria.

COVID-19'S EFFECT ON THE SALE OF COMPANIES

As of the publishing of this report, COVID-19 had not diminished the multiples, but it has brought about a change in the level of interest a buyer may have in a company, how it approaches its due diligence and how it structures the transaction:

THE BUYERS ARE LOOKING AT THE PREDICTABLE GROSS PROFITS GOING FORWARD:

The offering price will be adjusted if the going forward gross profits are being affected by COVID-19. If the gross profits have increased, with an uncertain life going forward, because of extra COVID-19 services, then the buyer will not pay for these "temporary" profits. Also, there are many owners that would like to sell now, but for the fact that their gross profits have temporarily declined by the effects of COVID-19. In these cases, most buyers are paying for gross profits in place at closing, with an increase in the price as the gross profits come back after the pandemic subsides.

Multiples

THE BUYERS ARE SCRUTINIZING THE TYPES OF CUSTOMERS

Even though the present customers may not have reduced their security coverage, they may be of the types that are subject to being negatively affected by COVID-19 going forward. For instance, customers such as Universities may have full security coverage now, but stand the risk of reducing security as the need for in class instruction converts to on-line classes. Office buildings may have more occupancy now, but will be reduced as the present tenants renew their lease and require less space as more and more employees are predicted to be permanently working from home.

THE BUYERS ARE SEARCHING FOR THE PAYROLL PROTECTION PROGRAM PAYMENTS

Many owners have received SBA loans (most under the assumption that they will meet the requirements to have the loan forgiven) equal to 2.5 times their average 2019 monthly payrolls; and the payments can be significant. The buyers will be looking to make sure the loans, even if forgiven or will probably be forgiven, are not inflating gross revenues and/or gross profits.

GLOSSARY

Glossary of Terms

Terms:

Alarm companies - Companies deriving the majority of its revenues from alarm installations and central station alarm monitoring

CAGR - Compound annual growth rate

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

EBIT - Earnings before interest and taxes

EBITDA - Earnings before interest, taxes, depreciation and amortization

EPS - Earnings per share

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

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

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

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

Operating Margin - Earnings Before Interest and Taxes as a percentage of total revenue

Organic Growth - Growth exclusive of acquisitions

PBITA - Profit before interest, taxes and amortization

About Us

ABOUT ROBERT H. PERRY & ASSOCIATES, INCORPORATED:

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

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