

## 11/21/2019 **Allied Universal swooped in for SOS, CEO says**

- Drawn by SOS's international and executive protection units
- Deal came months after Sun Capital bought SOS
- Allied to pursue electronic security buys with eye toward IPO

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Security firm **Allied Universal** was presented the opportunity to buy **Sun Capital**-backed **SOS Security** just a few weeks before today's deal was announced, said CEO Steve Jones.

"Fortunately enough, their other discussions didn't work out, so we were able to make a compelling offer," Jones said in an interview with this news service.

Jones noted that it was not difficult for Allied Universal to come to terms quickly. "I started talking to (SOS CEO) Eddie Silverman seven to eight years ago. We tried to buy the company before Sun Capital," he said. "We had a very small window to do our work."

When SOS first launched a sale process with **Moelis** in late 2018, Allied Universal had just closed its acquisition of **US Security Associates**, Jones said. "We started reaching out to Sun Capital at the end of the summer about putting the two companies together. Our discussions went dead and then we got an opportunity just recently to come in for a quick discussion," he said.

Santa Ana, California-based Allied Universal said on Thursday it plans to merge with Parsippany, New Jersey-based SOS in a deal that would create a security services company with USD 8bn in revenue, including USD 7.5bn from Allied. Following the merger, Silverman, founder of SOS Security, will serve as co-chairman of the executive committee and an advisor to the board. The sale comes only months after Sun Capital acquired in May a majority stake in SOS from ZS Fund, which retained a small stake. This news service reported in August 2018 that SOS was exploring a sale with Moelis advising. A follow up report in March 2019 said that SOS remained in ongoing talks to find a buyer.

SOS, the fourth largest security services business in the US, was marketed off USD 30m to USD 40m in pro-forma adjusted EBITDA, and looked for a 10x EBITDA or higher valuation during its sale process, this news service reported. The company looked to the comp of Allied Universal's acquisition of US Security. Allied paid USD 1bn for the company, which according to this news service, generated USD 100m in adjusted EBITDA, suggesting a deal multiple of around 10x. Jones said the EBITDA figure *Mergermarket* previously reported for SOS did not reflect three subsequent acquisitions made before today's deal was announced. He said SOS has USD 550m in revenue.

SOS brings a relatively small amount of guarding revenue overall to Allied Universal, Jones said. The SOS guarding business totals about USD 300m in the US. Allied Universal was particularly attracted to SOS' international presence and its executive protection business, AS Solution, which focuses on celebrities and high-profile CEOs around the US, Jones said.

SOS has offices in approximately 70 cities across the US and five countries, while Allied Universal has an international presence in Canada, the UK and Mexico. Together, the combined companies will have about USD 350m to USD 400m in international revenue, Jones said. Allied Universal ultimately is likely to pursue a public offering, Jones said, adding that the timing is "probably a couple of years away." He views the company's public comps as business services-related companies such as **ABM Industries** [NYSE:ABM], **Aramark** [NYSE:ARMK] and **Cintas** [NASDAQ:CTAS]. "These companies are very similar to ours and trade very well," the CEO said.

Ahead of a potential IPO, Allied Universal plans to continue making electronic security acquisitions to build up that side of the business, Jones said. He pointed to the recent acquisitions of Dallas-based Securadyne Systems, backed by Pamlico, in April; Michigan-based Midstate Security in August, and Illinois-based Advent Systems early this month, all for undisclosed terms. Along with the electronic security Allied Universal already provides, the deals "make us one of the top five integrators in the US," Jones said.

In addition to electronic security deals, Allied Universal will look for small tuck-ins in the US and internationally as well as look to grow its executive protection business organically, Jones said. There are about 8,000 small and regional companies in the US, so "M&A opportunities continue to grow," he said.

SOS Security has been pursuing its own deals, buying Wilmington, Delaware-based Global Protection Management this year. In July 2018, it acquired First Security Services of San Jose, California. It also announced the purchase of Chicago-based Premier and Apex3 Security in May 2018, according to press releases.

In announcing the Allied deal, SOS said that under the Sun affiliate's ownership, it successfully completed three strategic add-on acquisitions, expanding operations in the Northeast and on the West Coast. Sun Capital never announced its affiliate's purchase of SOS and declined to comment on the details of the deal.

**Ernst & Young** and **Cleary Gottlieb** advised Allied Universal. SOS worked with **Moelis and Kirkland & Ellis**. There were no lenders on the deal, Jones said.

Allied Universal has seen its own shifts in ownership. In February 2019, Canadian pension fund **Caisse de dépôt et placement du Québec** made a USD 1.5bn investment in the company, its largest investment to date in a single asset, Jones said.

Then in September, a new **Warburg Pincus** fund, **Warburg SPV Fund**, wanted to acquire a majority stake in Allied Universal. Together with **J. Safra Group**, the financial sponsor invested, allowing **Wendel Partners Group** and **CDPQ** to sell down their stakes. CDPQ is still the second largest shareholder of Allied Universal behind the Warburg fund, Jones said. Wendel and Safra own approximately 5% each.

Cleary Gottlieb was legal counsel to Allied Universal in the CDPQ deal. Citigroup and Kirkland & Ellis advised CDPQ.

Allied Universal raised over USD 4bn in debt to refinance its capital structure in June with **Credit Suisse** serving as lead underwriter, according to this news service's sister publication, *Debtwire*. Following completion of the SOS acquisition, Allied Universal will employ a combined staff of more than 230,000 security professionals.

by Marlene Givant Star