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SECURITY STAFFING GIANT ALLIED UNIVERSAL MAY SEEK IPO WITH
SNAP'S EX-CFO

Safety in Numbers

By Peter J. Brennan

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Allied Universal added 50K workers with \$1B buy of U.S. Security Assocs.

"Drew's background, management style and operational focus make it a great fit" at Allied Universal, Jones said.

Vollero replaced Bill Torzolini, who served 17 years in the role and will stay on as a consultant until retiring next year.

The Dealmaker

Jones has taken a company that generated \$12 million in annual sales when he joined in 1996 and grown it through a combination of organic sales and acquisitions.

The biggest deal was in 2016 when locally-based Universal Protection Services of America merged with Pennsylvania-based AlliedBarton Security Services, creating Allied Universal.

Last month, Allied Universal added more than 50,000 employees with its \$1 billion acquisition of U.S. Security Associates from Goldman Sachs' Merchant Banking Division.

The company's projected \$7 billion in 2019 revenue puts it on pace to compete with Golden State Foods Corp. and Kingston Technology Co. for the second-largest firm by sales headquartered in Orange County. Pacific Life Insurance Co. took the top spot on the Business Journal's most recent annual private companies list, reporting \$9.4 billion in 2017 sales.

Allied Universal has 4,187 employees in Orange County, good for 16th on the Business Journal's list of the county's largest employers (see separate story, page 17).

With 210,000 employees, if Allied Universal were an army, it would trail Taiwan's, which has the world's 22nd-largest army.

Its employment puts it just ahead of Bank of America Corp.'s 209,000, which ranks 26th among the Fortune 500 list of the country's biggest companies by staff.

Security Co.'s Worth

It's the valuation that will be the most intriguing if the company goes public.

The U.S. Security Associates deal reflected a price-to-sales ratio of about 0.7, which if used for Allied Universal, would indicate a value of nearly \$5 billion.

There are no publicly traded companies of pure security guard providers on Wall Street, according to David Bahnsen, owner of Newport Beach wealth manager the Bahnsen Group, which has \$1.5 billion in assets under management. Wall Street may not rely on sales metrics but instead use a different valuation metric, such as profit, he said.

"The margins on their business will make all the difference, and of course the use of proceeds and composition of the present balance sheet," Bahnsen said in an email.

Not Just Guards

Jones promotes Allied Universal as more than a security guard company.

He said the company's technology can add \$1 billion in annual sales, pointing to sophisticated tools for monitoring websites organizing protests against clients, and an Uber-like application to help security guards quickly apply for jobs. It's also introducing security robots at a variety of places to work in tandem with human guards.

Demand is growing due to terrorism, workplace violence, intellectual property theft and police-poor municipalities, Jones said.

The U.S. Security Associates purchase expands the company's presence to Canada, the United Kingdom and Latin America. It also enters the consulting and investigations business and event staffing.

Jones said more acquisitions are likely in coming years.

"We've barely scratched the surface."

While the annual security guard industry is about \$45 billion, the total addressable market is more than double at about \$100 billion when cyber and infrastructure security are included, he said.

"Our focus is on transforming the security industry. That transformation is not only people, but also technology," which Vollero has much experience in, he said.

Hot Seat

Whether the company goes public and gain the sought valuation heavily depends on Vollero's expertise, Jones said.

Snap positioned itself as more than just an app developer by calling itself "a camera company." Its prospectus argued that the camera "was a starting point for most products on smartphones." Its 187 million daily users posted more than 3.5 billion photos a day on Snapchat last year.

"At Snap, I understood the technology," Vollero said. "A lot of the skills there are transferrable. It's about hiring the right people, executing the right brand."

Allied Universal has "appealing margins" and is generating a lot of cash, he said.

"At the end of the day, there's plenty of growth here," Vollero said.