



By PETER J. BRENNAN

Steve Jones wants everyone to know that \$18 billion in annual sales isn't enough.

"The plan is to grow to \$25 billion in annual sales by 2026," the chief executive of Santa Ana-based Allied Universal Security Services LLC told the Business Journal.

"We're not slowing down."

Allied Universal, already the nation's biggest private security firm, last month completed the acquisition of London-based G4S PLC to create the world's seventh-largest private employer—with more than 800,000 employees.

Jones, who won the bidding process with Allied Universal 65 a \$5.1 billion offer, will remain the CEO and for now he intends to keep the company in Orange County.

Allied, which previously had about 250,000 workers, now has a large interna-

tional platform and an extensive portfolio of blue-chip clients across the public and private sectors.

"The acquisition was historic; creating the largest security company in the world with sales over \$18 billion coming from 85 countries, making it almost twice as large as Securitas, its nearest competitor," said an analysis by Robert Perry, who specializes in the sale of security companies, on the securityinfowatch.com website.

75+ Buys to Date

Jones started at the predecessor of Allied in 1996 when it had about \$12 million in annual sales. In the past decade, he's engineered about 75 acquisitions to build it into the nation's largest private security firm with an estimated \$8.5 billion in sales in 2020.

Its armed and unarmed guards provide protection for major assets and executives,



as well as access control and incident management services, video surveillance monitoring and intrusion detection devices, and management of loss prevention programs.

Jones earned a **Businessperson of the Year** award from the Business Journal in 2019, a recognition of his company's rapid growth. That expansion has only since increased.

Jones is a member of this week's **OC 50**, which highlights local executives shaping the future of Orange County's economy and business community (see Special Report, starting on page 29).

European Giant

G4S, which can trace its origins to Copenhagen in 1901, was officially formed in 2004 when two security firms from the U.K. and Denmark merged. It operates in 90 countries across six continents, running everything from train security in the Netherlands to mine clearing in Africa. G4S in 2019 reported about \$10.1 billion in revenue, a 2.6% increase from 2018.

That revenue comes from an army-sized workforce. Its latest annual report says about 200,000 of its 533,000 employees turn over annually.

Why did Jones decide to pursue G4S?

"We were contemplating an IPO" when bidding began for G4S on the London Stock Exchange, Jones said.

"This gets us to global scale immediately. It's hard to duplicate. It'd take 10 years to get the same size by going one acquisition after another."

The Bidding War

The most difficult portion of the G4S acquisition was the scrutiny on the London Stock Exchange, Jones said.

Bidding began in September when **Garda World Security Corp.**, a Quebec-based private security firm with 102,000 employees, offered \$3.8 billion, or 190 pence, a share for G4S, whose stock was traded on the London Stock Exchange (LON: GFS). A year ago, G4S shares traded below 70 pence each.

Allied then jumped in on Oct. 28 with an offer for 210 pence a share, or \$4.3 billion, which G4S called inadequate. On Dec. 2, Garda World raised its offer to 235 pence, or \$4.9 billion, which G4S rejected.

After Allied offered \$5.1 billion, or 245

pence, a share, G4S's board on Dec. 8 board unanimously accepted the offer.

London stock rules required a public bidding process, which was eventually halted in February when Garda pulled out.

The deal was completed on April 6.

"Everything was out in the public. Every move we made was studied," Jones recalled. "When we make a deal, it's typically behind the scenes."

\$600M of Cash

Moody's Investors Services assigned a B2 rating to Allied's proposed senior secured notes issued to help fund the G4S deal, and a Caa1 rating to its proposed senior unsecured notes. The B2 rating is considered highly speculative as it's five grades below investment grade, while the Caa1 rating is a further two rungs below.

That said, "Moody's considers Allied Universal's liquidity profile as very good," the ratings agency said in an April 29 note to investors.

Allied Universal has more than \$600 million in cash and projected free cash flow of at least \$300 million in 2021 and \$400 million in 2022, Moody's said.

The stable outlook reflects Moody's expectations for low single-digit organic revenue increases and debt to EBITDA to fall from its current seven times to below six times over the next 12 to 18 months, according to Moody's.

When asked about the debt levels, Jones said the company's debt leverage is still below prior years.

Big Changes

Besides the huge acquisition, Jones has been busy on other fronts.

In the past year, Allied Universal has found itself in hot demand as protests broke out nationwide and many of his employees guarded the hospitals most heavily hit during the pandemic.

In January, Allied made two more acquisitions, adding about \$477 million in sales and another 13,700 employees.

To top it off, one of his key executives, Chief Financial Officer **Andrew Vollero**, left in February to take a similar role at hot internet firm **Reddit Inc.**

Jones hired **Tim Brandt** as CFO, who had worked for 30 years at **Deloitte**, becoming the managing partner of the Orange County office for the past four years. He will focus

on the integration of G4S.

The company has made believers of its investors.

Last month, Allied hired **Mike Beregovsky** as chief merger and acquisition officer, and co-head of strategy and investor relations. Since 2011, Beregovsky worked for the Industrial and Business Services unit of **Warburg Pincus**, a longtime investor in Allied. In 2019, he joined Allied's board of directors.

"This is truly an exciting time to join Allied Universal as the company sits at the forefront of remarkable international expansion," Beregovsky said in a statement. He said he looks forward to replicating "the company's extremely successful North America acquisition program on a worldwide scale."

Besides an investment group led by Warburg Pincus, Allied's other owners include **Caisse de dépôt et placement du Québec** (CDPQ), Canada's second-largest pension fund, and an affiliate of the **J. Safra Group**.

Emulation Worldwide

Jones' top priority is to integrate the two companies to assuage customers and employees.

His strategy is for an acquired company to adopt Allied's systems, branding and culture to boost the margins of a business with traditionally low profit and high turnover.

Jones said he's an admirer of how Waste Management rolled up independent trash companies in the 1980s.

He also emphasizes guards using the latest technology to their advantage, such as employing robots and monitoring social media websites for potential protests or riots near their customers.

"Our goal is to emulate our business model around the world," he said. "We want to change how the industry operates."

As for going public, Jones said investors will find intriguing a model that combines a recurring revenue stream with the latest in technology, especially artificial intelligence.

Still, he's delaying the IPO by another 18 to 36 months.

"We're pretty busy," he said. ■

Allied Universal Security Services LLC



- **HEADQUARTERS:** Santa Ana
- **CEO:** Steve Jones
- **2020 REVENUE:** \$8.5B
- **2021 REVENUE:** \$18B+ (est.)
- **NOTABLE:** Moody's sees organic revenue growth at 2%-4% and EBITDA profit margin topping 10%



800K-person company provides numerous security-related services

