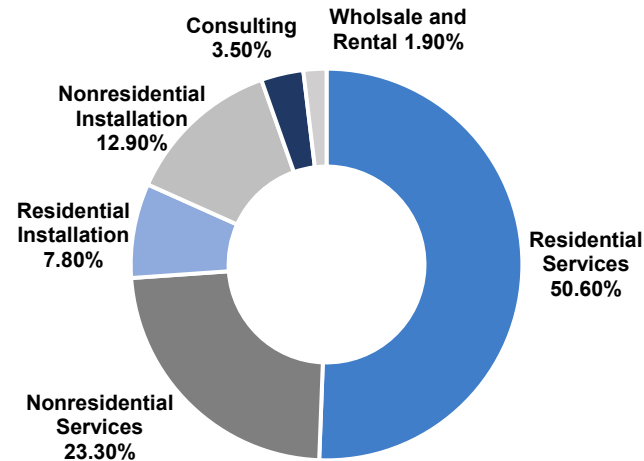


Security Systems Industry Snapshot July 2021

Executive Summary

The Security Alarm Services industry installs, maintains and monitors alarm, fire and surveillance equipment. The industry has expanded over the five years to 2021 as a result of technological innovations in the industry and developments in the broader economy. For example, the industry has benefited from advancements in monitoring automation and overall economic growth. Moreover, despite the COVID-19 (coronavirus) pandemic, demand for industry services has remained robust amid a boom in the residential housing market. As a result, industry revenue has grown, rising at an annualized rate of 4.3% to \$31.8 billion over the five years to 2021, including an expected increase of 5.0% in 2021. Larger industry operators have engaged in numerous acquisitions during the current period. Meanwhile, product innovations in convenience, functionality and systems integration have helped boost industry demand. For example, many operators have integrated residential monitoring and security systems with smart home devices, while others have combined data analytics services with traditional service offerings to expand their value propositions

Fragmented Revenue



Security alarms are primarily designed to detect intrusion & include video surveillance systems and electronic access control. The installation segment includes the installation, repair and maintenance of integrated fire and security systems as well as standard lock installation services but no monitoring.

Financial Sponsors are Building Platforms in Security Systems

October 2018	December 2018	June 2019	July 2019
September 2019	March 2020	April 2020	September 2020

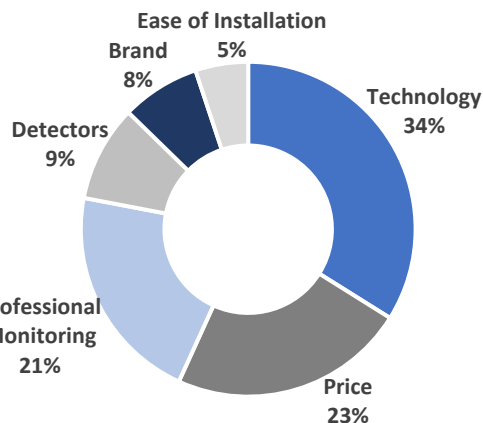
Sector Outlook

Industry revenue is forecast to grow during the outlook period, with an anticipated rise in business investment in computers and software likely involving substantial investment in security systems infrastructure. As the economy recovers and business investment improve, heightened nonresidential construction activity will likely support demand from the business sector. As the industry grows, larger operators will likely continue their merger and acquisition activity, while reduced barriers to entry associated with certain relevant technologies are expected to attract startups and industry entrants. As a result, industry revenue is projected to increase at an annualized rate of 2.4% to \$35.8 billion over the five years to 2026.

Security Systems Overview

\$31.8B	Industry Revenue	\$500	Expenditures on Security per Household
63,151	Security Firms in the US	37.2M	Smart Home IP Cameras Sold in 2020

Most Important Factor in Selecting Home Security



Market Trends

- Artificial Intelligence has the potential to play a major role in boosting innovation in the home security and monitoring market. Combined with machine learning, it could reduce false alarms, enhance detection of anomalous activities & video analytics, and offer better video verification & surveillance capabilities.
- Customer preferences for multiple solutions in one package, in order to get access to the most budget-friendly solution, has led vendors to roll products into bundles that offer a home security solution that guards against multiple threats, such as theft, safety threats, fire threats, and gas leakages.
- Video surveillance has been gaining the maximum market share. Surveillance systems implemented at homes have varied applications and features, such as monitoring, access control, motion detection, and night vision. With the increasing rate of crimes, video surveillance is expected to increase primarily due to the threat of being detected.

Market Overview

2.4% Expected Revenue CAGR 2021 to 2026

10M Security Systems installed in 2020

28.2% US Households with security systems

1 in 3 Homes without security are burglarized

68% World Population Living in Cities by 2050

Market Characteristics

- Forecasted residential construction will lead to an increase in demand for security services, as fire and safety alarms are installed in new & renovated buildings.
- The equipment segment is expected to have the most growth during the forecast period, supported by the increasing demand for electronic locks & intruder alarms to protect unauthorized access in residential premises.
- Growing urbanization is driving initiatives to implement next generation technology to combat rising crime rates that are associated with an expanding urban population.

Private Transactions

Sale Date	Target Business Description	Net Sales	Operating Profit	EBITDA	Deal Value	Deal Value / Sales	Deal Value / Discretionary Earnings	Deal Value / EBITDA
06/01/2021	Commercial Security Systems	\$2,222,595	\$593,355	\$615,646	\$1,100,000	0.49x	1.5x	1.8x
06/12/2020	Custom Security Maintenance	\$443,074	\$18,392	\$22,380	\$589,000	1.33x	6.5x	26.3x
10/01/2019	Commercial Security Systems	\$4,500,000	\$400,000	\$450,000	\$2,600,000	0.58x	3.5x	5.8x
12/27/2018	Security Systems Services	\$1,854,123	\$300,009	\$303,530	\$901,000	0.49x	2.4x	3.0x
12/21/2018	Security Systems Services	\$1,395,606	\$116,259	\$122,640	\$1,200,000	0.86x	3.7x	9.8x
	Median	\$1,854,123	\$300,009	\$303,530	\$1,100,000	0.58x	3.47x	5.78x

Public Comps

Company Name	Revenue Growth %	Gross Margin	EBITDA Margin	FTE	Revenue / FTE	EV/Revenue	EV/EBITDA
Fortinet	19.94%	78.03%	22.85	9,043	286.9	6.08	43.03
Napco Security Technologies	-1.53%	43.01%	12.14%	227	446.5	1.83	13.44
Fortune Brands Home and Security	5.65%	35.54%	16.06%	534	11405.1	2.26	12.93
George Risk Industries	24.96%	50.41%	80.23	195	94.9	1.26	3.56
Zix	9.93%	82.49%	19.73%	543	402.4	2.99	13.14
Median	9.93%	50.41%	19.73%	534	402.4	2.26	13.14