

The SECURITY Advisor

a magazine published by Security ProAdvisors for the Security Industry

PRESIDENT'S CORNER

It will be news to exactly no one when I say that much has changed in the world and in the security business since we published our last issue six months ago.



The COVID-19 pandemic has upended the world of commerce, causing many companies to shut down or severely curtail their physical operations and creating tremendous uncertainty in terms of the need for manned guarding, varying considerably from sector to sector.

During the second quarter of 2020, there was a considerable slowdown in the mergers and acquisitions market. However, we are optimistic that M&A's will pick up again during the second half of the year, in part because companies are getting up to speed on doing deals in a socially distanced, virtual way.

In this issue of **Security Advisor**, we feature interviews with two leaders in the security field: *Cal Mathis, Vice President & Chief Security Officer, S&P Global*; and *Joseph DeSalvo, Chief Security Officer, Blackstone*. They each discuss their overall roles and challenges they help their respective companies face, especially during the time of COVID-19, as well as how they and their teams are continuously adapting to best these challenges.

This issue also gives a rundown of the recent M&A activity that has taken place. This includes **Invicta's** purchase of **Helix's** security guarding business, **Garda World's** acquisition of **WorldAware**, **Allied Universal's** purchase of **Phoenix Systems & Service**, **Brink's** buying the majority of **G4S'** cash management business, **Stanley Security's** investment in **Evolv**, and **Kansas Business Investment's** acquisition of **Security Control Systems**.

And after sharing some other news tidbits around the industry, I conclude this issue by sharing some thoughts on my own on how manned guarding and electronic security companies can best survive, and hopefully thrive, during the COVID-19 pandemic.

Finally, I would be remiss not to extend a hearty "thank you" to all the security officers and other professionals putting their lives and limbs on the line during this challenging time, as well as to law enforcement agencies for working hand-in-hand with these private security companies. Your work is appreciated more than you know.

Keith Oringer
Founder and President
Security ProAdvisors



THE SECURITY ADVISOR

Published twice a year, The Security Advisor is a magazine dedicated to news in the security industry throughout the world. The Security Advisor is published by Security ProAdvisors, providing advisory, consulting, and brokerage services to the security industry - guarding, system integration, and electronic security. Security ProAdvisors represents sellers in security transactions.

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HEADLINES - M & A

Invicta Purchases Security Guarding Business from Helix



Denver-based, U.S. veteran-led security firm *Invicta* has purchased the security guarding business of *Helix Technologies, Inc.*, which has become a pure-play technology company focused on the cannabis industry, in a transaction brokered by Security ProAdvisors LLC.

Invicta provides security to numerous service lines and markets by partnering with a nationwide network of security teams, clients, affiliates and local area experts.

“Helix built a dominant business, and I could not be more excited to leverage our expertise to continue the rapid growth,” says Paul Ballenger, CEO of Invicta Group. *“Recent social unrest has underlined the need for this type of service, and I am excited to help our clients continue to grow while feeling safe and confident in their future.”*

Helix believes that divesting itself of the guarding business will boost gross margins and amplify its focus on its scalable, high-margin critical technology infrastructure suite of services.

“We are incredibly proud of what we have accomplished with Helix Security,” says Zachary Venegas, executive chairman and CEO of Helix. *“In a short time, we went from startup—without a single client—to the undisputed leader in the Colorado security market.”*



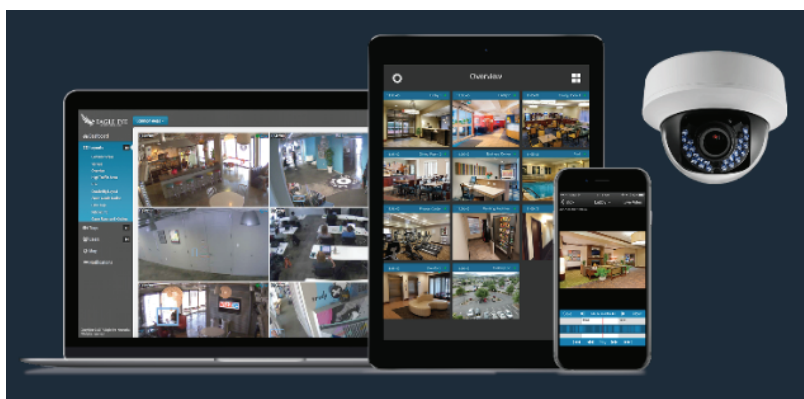
Garda World Acquires WorldAware

GardaWorld Security Corporation has acquired U.S.-based security risk management firm *WorldAware*, a two-decade-old company with more than 150 intelligence and security experts that provides integrated risk management solutions around the world and across geopolitical, terror, environmental and health threats.

Along with the integrated security risk management already provided by Crisis24, a GardaWorld Company, this will enhance the field operations and security network in the 45 countries in which GardaWorld already has a presence among its 102,000 professionals, benefiting its clients’ people, operations and assets.

“The competitive landscape has seen radical shifts, and an integrated approach to managing risk, coupled with the right mix of capabilities, has never been more important,” says Stephan Cretier, founder, president and CEO of GardaWorld. *“WorldAware is a leader in this field [risk management], and coupled with Crisis24, no other player will be able to measure up to the expertise we can now offer.”*

The acquisition will bring together and maximize the synergies of the respective organizations’ services, operational centers, and technological know-how. The combined companies will serve more than 25% of the Fortune 500, monitor and protect more than 32 million people per year, and send out more than 500,000 daily security alerts and intelligence briefings annually.



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HEADLINES - M & A

Allied Buys Phoenix Systems & Service, Inc. and Service Works, Inc.

Allied Universal has boosted its technology capabilities through two purchases: Chicago-based *Phoenix Systems & Service, Inc.*, which provides full-service security systems integration to customers across the country; and Farmingdale, New Jersey-based *Services Works Inc.*, a tri-state area security and information technology integrator. The terms were not made public for either deal.

With revenues of more than \$16 million and 35 employees, Phoenix is known as an integrator of access control, digital video, optical turnstiles and intercom systems. The company's turnkey installation encompasses system design, project management, IT support, wiring, conduit, training, and system service and maintenance.

Allied CEO Steve Jones says the Phoenix acquisition will help expand his company's technology services business in Illinois and throughout the country. *"Phoenix Systems has a strong history of more than 28 years delivering top-notch service within multiple vertical markets, especially commercial real estate."*

"The business culture and expertise will be a perfect match", says Daniel Gardner, president of Phoenix, which has a customer base including several global firms and Fortune 500 companies. *"We are truly excited about the opportunity for our employees,"* he says.

Service Works Inc., which has offices in Manhattan and on Long Island in addition to its New Jersey headquarters, brings 35 employees and revenues of more than \$14.8 million. Offering turnkey and custom solutions, the company handles the full spate of services, ranging from design to maintenance, for clients nationwide.

More specifically, Service Works provides video surveillance, access control, intercom and gate systems, turnstiles, intrusion alarm services, information technology infrastructure, and audiovisual surveillance for end users in the commercial, education, industrial, healthcare, pharmaceutical, government and financial industries.



"The acquisition of SWI will help us expand our advanced technology services in the greater New York city market and nationally," Jones says.

"Allied Universal's vast resources will help to fuel continued growth in the security technology solutions market," adds Stephen Govel, founder and president of SWI.



Brink's Purchasing Majority of G4S' Cash Management Businesses



The Brink's Company is in the process of acquiring most of *G4S's* cash operations in 14 markets for approximately \$860 million. The transaction will play out in phases, with about half of the total value expected to close by the end of April and the rest by the end of the year.

About 25,000 G4S employees are joining Brink's as a result of the deal, which includes assets in the Netherlands, Romania, Malaysia, Ireland, Belgium, the Czech Republic, Kuwait, the Dominican Republic, the Philippines, Indonesia, Cyprus, Estonia, Lithuania and Latvia. The purchase does not include G4S's cash business in South Africa or the United Kingdom as well as several smaller markets.

The cash operations that Brink's has acquired earned \$800 million in pro forma revenue in 2019, enjoyed an operating profit of about \$85 million and had an adjusted EBITDA of about \$115 million. It is not the first such deal in recent years for G4S, which sold its cash solutions business in Canada to *GardaWorld* in 2013 for about \$110 million (Canadian).

Brink's sees the acquisition as a strong strategic fit that will spur growth in organic revenue and operating profit with emerging markets in Asia and Eastern Europe. G4S believes the deal will simplify its focus and enable growth of the company's core integrated security solutions business while helping to further develop its cash and payment technology business.

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HEADLINES - M & A

Stanley Invests in Evolv

Stanley Security has purchased a stake in *Evolv Technology*, which provides touchless security screening based on artificial intelligence (AI). Financial terms were not disclosed, although funding comes from *Stanley Ventures*, the venture capital division of *Stanley Black & Decker*.



Based on the Evolv Cortex AI software platform, the Evolv Express screening system can process more than 3,600 people per hour, about 10 times faster than metal detector, reliably searching for intruders, concealed weapons and other threats without requiring that those entering empty their belongings, the company says.

Evolv's systems have screened more than 50 million people entering venues like K-12 schools, higher education campuses, hospitals, stadiums, and office and federal buildings.

"Evolv's innovative, touchless security screening solutions are an integral part of the security industry's future," says Matthew Kushner, global president of Stanley Security. *"When paired with data analytics and expertise from Stanley Security, these solutions will deliver even more value to organizations as they adjust operations and enhance security measures to reopen and stay open safely."*

Houston-Based Integrator Purchased by Kansas Investment Firm



The private investment firm *Kansas Business Investment Co.* has acquired *Security Control Systems*, a Houston-based integration company. Terms of the deal were not made public.

The four-decade-old Security Control Systems provides the full spate of security management systems, with a specialty in complex electronic control systems. Those generally include access control, audio intercommunication, video surveillance, and proprietary alarm monitoring systems. The company also can integrate two or more of these subsystems in a way that's easy to incorporate and manage.

The integrator provides service throughout six states in the southwest, from Arkansas to Arizona, and operates a branch office in Dallas. The company has completed projects internationally as a member of the systems integrator cooperative Security-Net.

Bill Savage, owner and president of Security Control Systems, says, *"The Kansas investment firm provides new leadership, management, sales, and other resources. The deal will broaden employees' opportunities and be a boon for vendors."*



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HEADLINES - P&L

G4S Announces Slight Revenue Drop for First Half of 2020



G4S collected underlying revenue of 3.35 billion British pounds for the first half of 2020, down slightly from 3.4 billion in 2019. Underlying operating cash flow came in at 364 million pounds, substantially higher than the 164 million seen at a comparable point last year.

The Secure Solutions business that comprises most of G4S' portfolio saw revenue of 3.1 billion pounds, about the same as last year, while adjusted PBITA notched at 202 million, compared to 199 million in 2019. Growth in the Americas and Asia offset declined in Europe and the Middle East due to the effects of COVID-19.

"G4S is at an important inflection point as we accelerate our transition to a highly focused global integrated security business," says Ashley Almanza, CEO of G4S. "The benefits of our strategy, focused execution and timely response to Covid-19 are reflected in the Group's results with resilient revenue, earnings and cash flows reported for the first six months."

Prosegur Consolidated Profits Hit 23 Million Euros for First Half of 2020



Prosegur notched consolidated net profits of 23 million Euros on sales of nearly 1.8 billion Euros, down 13.6% year-over-year, with organic growth rising above 3%. Prosegur Security, the manner guarding and technology wing of the company, saw sales of 892 million Euros, down 13.1%. Prosegur Alarms saw sales of 103 million Euros, down 26.2%.

The company reports overall EBITA of 106 million Euros, which has fallen by one-third due to the twin impacts of COVID-19 and an adverse exchange rate. EBITA at Prosegur Security was 21 million Euros, up 0.3%, with an EBITA margin of 2.4% during the first half of 2020.

Overall profit for the first six months of the year hit 28 million Euros, down 60% year-over-year, while the consolidated net income after factoring out minority interests was 23 million Euros, down by more than half (53.2%).



Securitas First Half Sales Slow Due to Pandemic



Organic sales growth tapered off in all segments for Securitas due to the coronavirus pandemic, which slowed business increasingly from March onward, with sales down 1% for the first six months of the year (compared with a 6% rise in 2019) and 4% for the second quarter (compared with plus 5% last year), the company reported.

The largest negative impact hit the company's Security Services Europe division due to the nosedive in the aviation sector. Security solutions and electronic security saw flat sales in the second quarter, representing 21% of the total. The overall operating margin reached 3.9% in the first six months, as compared with 4.9% in 2019.

"The decline derived from all business segments, predominantly due to the corona pandemic," says Magnus Ahlqvist, President and CEO. "The operating margin was supported by cost saving actions and government grants during the quarter, but hampered by increased provisioning."

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Q&A with Cal Mathis, S&P Global

Cal Mathis, Vice President & Chief Security Officer, S&P Global, came to what was then McGraw Hill Companies in 2004 after a career in public sector law enforcement that culminated as deputy commissioner and sheriff for the City of New York. The company's branding has evolved to McGraw-Hill Financial, and then S&P Global, but Cal's role has remained the same: leading, designing and driving worldwide protective programs for a company that currently has 23,000 employees in 88 offices in 35 countries. Often referred to by its legacy name of Standard & Poor's by veterans in the industry, the company has succeeded mightily in the past decade, soaring from a stock price of \$17 per share in 2009 to more than \$350 today.

Cal talked to Security Advisor about his role and how it's evolved, particularly since the pandemic began. This is an edited transcript of what he said.

Security Advisor: *What are some of the unique physical security challenges facing a global financial services firm like S&P?*

Cal Mathis: The risks facing S&P Global are similar to those of other technology and financial services companies. I worry about our offices on the West Coast, with natural disasters, fires and earthquakes, and in southeast Asia with tsunamis, monsoons and other types of natural disasters. I can't anticipate when a natural disaster will strike, but we have a validated crisis management plan that has guided us through many significant incidents including the Mumbai terror attacks, the Japan earthquake and tsunami in 2011, and Super-storm Sandy. We lean heavily on that plan.

But what keeps me up at night? The threat of kidnapping and terrorism. Business travel is currently on hiatus—but when our employees travel to high-risk cities around the world such as Port Moresby, Papua New Guinea; Karachi, Pakistan; and even Lagos, Nigeria, my team is on alert. I also travel to our offices around the world to conduct security operations reviews and to meet with senior leaders in the region to ensure awareness of the security support available. I recently conducted these reviews in our offices in Islamabad, Riyadh, Johannesburg and Dubai. We have great infrastructure to protect our people. When meeting with business travelers visiting high-risk locations, I tell them to focus on the business and let Global Security focus on the security issues, and that we will surround them with a figurative "security bubble" to keep them safe.

During the visit to the Johannesburg office, I realized there was a 'blind spot' in the security structure. When speaking to a colleague who works there, she mentioned that she occasionally travels "through the bush" using a car service. This is essentially driving through the jungle. I realized Global Security had no visibility on this mode of travel, so we developed a solution with the office manager to communicate this type of travel to leadership in advance.



S&P Global

SA: *What additional steps are you taking to protect your employees during the COVID-19 pandemic?*

CM: It's taking up 98% of my time right now. Currently, S&P Global employees are working from home except in offices in China, Taiwan, Hong Kong, Tokyo, Sydney and Perth. Even my team from the 24/7/365 Global Security Support Centre are working remotely, monitoring the world on laptops.

Here's the evolution of our response: On January 7, we had the entire security leadership team in New York City, and the regional security director based in Singapore, who is responsible for Asia-Pacific, said: "Cal, I'm picking up on something, on our horizon scanning, a cluster of pneumonia cases in Wuhan, China, linked to a fish market." We posted this information in our daily report. By January 23, it had grown to 571 cases and 17 deaths. Three days later, on Sunday January 26, our CEO Doug Peterson told me, "Cal, I want you to meet with the Chief People Officer, CFO, General Counsel, and Chief Information Officer to establish a Coronavirus Steering Committee." These actions were taken by S&P Global before the U.S. Military activated its pandemic response plans on February 1st.

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Q&A with Cal Mathis, S&P Global *continued*

CM: We immediately moved to limit travel and closed offices within mainland China, and then started spreading out from there. By mid-March, we had gone fully remote, 100% mandatory work from home, globally. Since then, we've been meeting every week without fail, evaluating issues confronted by our employees and businesses and identifying solutions. We apply crisis management principles, and make sure we have visibility on emerging threats and infection trends. When a threat crosses our radar, we immediately notify our employees, leaders and other stakeholders, and provide solutions. When you "boil it down," it's horizon scanning, event assessment, notification to stakeholders to generate awareness, and activation of internal response teams that ensures we properly manage crises.

Before coronavirus, employees generally contacted Global Security when there were safety issues to manage. Now we are called all the time to respond to questions, provide guidance and address concerns. We have great visibility within the company and great support from senior leadership.

SA: What advice do you have for CSOs in working with their organizations to add new security tools and technology?

CM: I'm a collaborator. I collaborate internally and externally. Internal collaboration quite often doesn't happen between the security function and other departments in many companies. At S&P Global, the security team is actively engaged in establishing relationships with IT, Risk Management, the People function, Business Continuity, the businesses and others. Since COVID-19, Global Security has partnered with IT and Workplace Services as they develop solutions to enhance the remote working environment and experience. We've developed a Global Readiness Framework with assistance from IT that we use to determine when offices are ready to return to business. The platform evaluates areas such as infection rates, deaths, school information, public transit and other important factors. We have our intelligence providers uploading this information directly into our platform in real time. This tool ensures immediate awareness of the risk levels (low, moderate, high) of our offices around the world including Tokyo, Hyderabad, Manila, Sao Paulo, etc. We could not have done that without collaboration.



SA: Do you prefer to work with a security system integrator or do the work in-house?

CM: Generally, because we operate globally, our integration work is performed by external contactors. They're familiar with the local requirements and it's cost effective. It would be cost prohibitive to staff this function internally. There are jurisdictional and regulatory issues to consider around the world. Our businesses are regulated, and we must interact with the SEC, European Securities and Markets Authority (ESMA) and many other regulatory agencies. Global Security has a Security Technology and Security Projects team that manages and monitors integration work globally to ensure our standards are adhered to, proper equipment is used and that pricing is competitive.

SA: Given the increasing pace of technology convergence, how does S&P approach collaboration between physical and IT security?

CM: We're starting to see more and more convergence of these two functions. I have a counterpart who is the company's Chief Information Security Officer. We partner and collaborate often, and our respective teams collaborate daily on issues affecting the company. Some examples of our collaboration include responses to disturbing emails sent to employees and attempts to attack our infrastructure. Cyberthreats are on the increase with people working from home. Since COVID-19, the Information Security team has developed a training program that supports remote work that better protects our data and network. It's important to remember that using Virtual Private Networks (VPN) ensures a company is better protected

SA: How do you go about promoting a company-wide security culture, and how do you see that challenge evolving as a result of COVID-19?

CM: Security is my department's primary function, but security is everybody's responsibility. Personal safety and security is often an individual decision. I seek opportunities to promote the mission and objectives of Global Security to ensure awareness. I recently participated in a podcast where I discussed the company's response to the COVID-19 pandemic, sharing updated information with our colleagues. Global Security also created a COVID-19 Microsite on the company's Intranet that provides employees with the latest information and Q&A's on the pandemic, vaccine development and office readiness. That's how I establish a security culture – visibility. Through these efforts, I feel our employees know how to contact and engage with Global Security.

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Q&A with Cal Mathis, S&P Global

continued

SA: Given your professional background, how do you approach collaboration between S&P and law enforcement agencies?

CM: We collaborate with law enforcement agencies within the regions and through investigations. My four regional security directors -who cover the Americas, Asia-Pacific, Europe-Middle East-Africa, and India - interact with law enforcement agencies, along with the investigative team based in New York. I have regular meetings in London with security and intelligence agencies and with the U.S. State Department, Bureau of Diplomatic Security when visiting cities around the world. We also meet with U.N. Security, the FBI, Interpol and other intelligence services to stay abreast of global threats.

SA: How has your approach to executive protection changed in the last 20 years?

CM: When 9/11 happened, that was a game changer for executive protection. Before leading the NYC Sheriff's office, I was a tactical lieutenant in the NYPD Intelligence Division assigned to diplomatic security, and I have seen an evolution. An example of threat response post 9/11, security leaders are now required to assign armed security agents on private jets traveling to Washington, D.C., to ensure any aircraft in the vicinity of the White House has adequate protection. My team constantly monitors and evaluates information from social media, intelligence providers and peer companies to develop our security posture to apply an appropriate level of protection for our assets.

SA: As a global company, how do you see your approach to security training and awareness changing post-COVID-19?

CM: Before COVID, regional security directors visited offices within their regions twice a year to conduct emergency response training for topics such as earthquake safety, fire safety and response, managing power outages and managing protest activity. At the headquarters level, we conduct training with our Incident Support Team. Going forward, I expect this training to be conducted virtually, at least in the near term. As conditions normalize, and business travel returns, I expect regular training to resume.



Currently, we've only allowed travel from offices that have reopened, and it's only domestic travel. International travel must be approved by the company's Operating Committee.

I recently onboarded a Chief Medical Advisor, and I see a role for him in future training.

SA: What changes do you foresee for security at S&P as the economy opens up, post-COVID-19?

CM: S&P Global has demonstrated it can report quarterly earnings while employees work virtually. Even though we are operating virtually for the majority of the company, I continue to assign specific security team members to cover events. I have 30 positions reporting up to me globally, and several of these positions are capable of working remotely. Some, though, will still need to be deployed. These include executive protection specialists, building security personnel and the regional security directors. My role, for the most part, can be performed remotely. I go to the office at least once every two weeks for briefings and to participate in steering committee meetings. Even some of our contracted security personnel have been equipped with laptop computers to work remotely.

In terms of return to office, I have seen some requirements for temperature checks, particularly in Asia. But, not in New York City. What I am seeing is a push for self-assessments that may include affirmations that employees are not experiencing COVID-19 symptoms and have not been near anyone with symptoms, along with temperature screenings that are reported to employers before their employees enter the workplace.

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Q&A with Cal Mathis, S&P Global

continued

SA: *With all the lessons learned over the course of your career, what's your best piece of advice for security professionals?*

CM: I had a 24-year law enforcement career working in four different law enforcement agencies before coming to S&P Global. There's an assumption if you're a law enforcement executive, you have the skill sets for a top security position. I ran the sheriff's office, which at the time had about 350 people responsible for civil enforcement, and I led the agency during the response to the 9/11 attacks. My transition to the private sector was challenging. Greater accountability for spending, fewer personnel, and supporting businesses with different objectives were among the challenges in the beginning. I tell my law enforcement associates they must develop additional skills and maybe even adjust expectations to prepare for a security role in the private sector.

Another piece of advice I would share: speak to the less senior people doing the job. They really understand the aspects of the day-to-day realities that senior team members may not be aware of. You've the executive, at the top, but people doing the job know the granular details that can guide your decision making. I speak to contracted security offices and supervisors that cover critical posts to gain an understanding of the issues they manage.

I have an open-door policy with everyone on my team because it's important to know about the things that matter to them. I also believe in recognizing people. The cost to take a few colleagues to lunch to let them know you appreciate their efforts are insignificant. I've also learned that money is not the only thing that motivates people. As an example, I recently had a situation where someone on my team deserved a higher title, and they made it clear the title, not the money, was much more important.



HEADLINES - ETC

Securitas North America Goes on Hiring Spree



Given that security remains an “essential” industry, and that COVID-19 has both increased and changed the security requirements for many businesses, *Securitas Security Services North America* hired more than 10,000 security personnel in the first month after the crisis hit, and planned to continue throughout the spring.

These security officers can be vital cogs in emergency management plans, providing an essential service and supporting public safety in and around facilities like hospitals, banks and grocery stores, notes Greg Anderson, president and CEO of Security North America Guarding.

“Securitas is committed to helping clients, both current and new, maintain the safety of their people and properties,” he said. *“We have the resources and expertise to implement dynamic and intelligent security programs that ebb and flow on the basis of need.”*

Allied Touts AI Platform’s Impact on Pandemic-Era Security



The advanced artificial intelligence platform known as *HELIAUS* has helped companies keep their facilities safer and more secure during the COVID-19 pandemic, according to *Allied Universal*, which has enhanced the technology with a new visitor screening application.

This application can be customized and configured to support the various cleaning procedures for any given client, offering screening questions based on the guidelines promulgated by the U.S. Centers for Disease Control (CDC) and putting into place protocols like ensuring the security professional asks the visitor to have their temperature screened or use a hand sanitization station.

“The HELIAUS visitors screening application also contains suggestions for issues like managing social distancing, adding workplace signage, and in general maintaining a clean, safe workplace,” says Mark Mullison, Chief Information Officer for Allied Universal.

“All of the information collected in the course of visitor screening or custom workflows is captured electronically and fed into the platform’s AI engine, which makes recommendations for improving the site’s condition,” he says. *“HELIAUS has the ability to remotely message important updates or assign important tasks to your security professionals. Clients can receive custom e-mail/text reports in real time.”*

Prosecur Lays Down Challenge for Startups Focused on COVID-19 Consulting



Companies interested in helping a security firm create COVID-19 free work spaces through such means as people flow control, access control and identity validation, and health monitoring had an opportunity this spring with the Spanish security firm *Prosecur*.

The security firm has laid down a challenge for those creating startups to develop a comprehensive approach with effective solutions across these three prongs, which ultimately will lead to a supplier contract with Prosecur.

“People flow” refers to everything from capacity limits, to queue control, to hot spot detection, to ensuring that people use masks, gloves and other personal protective equipment. Access control and identity validation system would need to be automatic and contactless while providing airtight security that prevents fraud.

The health monitoring systems would incorporate self-assessment, communication with doctors and if necessary emergency services, and the deployment of devices that enable an employee’s or visitor’s vital signs to be remotely monitored.

Prosecur also issued challenges for startups in cybersecurity, physical security, cash, alarms, and in the corporate sphere. The requests for proposals were due on May 4, and the company planned to choose 45 initial candidates and then narrow those down to 15 who would present pilot proposals. Finally, five winners will sign a four-month contract to collaborate with Prosecur business units and their customers to refine their product.

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HEADLINES - ETC

Garda World Offers **GARDAWORLD** \$120M in Senior Secured Notes Due 2027

Garda World Security Corp. has begun a private offering of \$120 million in additional aggregated principal worth of 4.625% senior secured notes, due in 2027.

These notes, guaranteed by parent company *GW Intermediate Corporation* and the company's existing and future subsidiaries, will be part of a single series with the previously offered \$450 million in aggregated principal of identical notes.

The notes will be offered to U.S.-based "qualified institutional buyers" as defined by the Securities Act of 1933 along with similar legislation in Canada and Quebec. Garda World says that it plans to use the proceeds for a wide range of corporate purposes, possibly including acquisitions.



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Q&A with Joseph DeSalvo, Blackstone

Joseph DeSalvo is Chief Security Officer of Blackstone, one of the world's largest real estate, private equity and alternative asset managers with more than \$538 billion in assets and approximately 250 companies owned. Blackstone is one of the largest owners of real estate in the world, including shopping malls, apartment towers and office buildings. Based in New York, with more than 20 years of experience in corporate security and investigations, DeSalvo oversees security globally for Blackstone's facilities, employees and assets. A former FBI Special Agent, he has held similar roles at Charles Schwab & Co., Bankers Trust Company, and Iron Mountain. He earned his MBA from the University of Hartford.

Security Advisor talked with DeSalvo about physical and cyber security challenges facing his firm before, during and after COVID-19. This is an edited transcript of what he said.

Security Advisor: *How are your security needs different from those of other financial services companies?*

Joseph DeSalvo: Blackstone is a private equity company with security threats and challenges that differ from those at other financial services companies such as banks. People often get to know Blackstone through their relationship with Blackstone's portfolio companies vs. from direct integration with the company. Sometimes they contact Blackstone after having challenges with the portfolio company, and therefore they come with frustrations from the onset.

SA: *How does your job differ at Blackstone vs. your earlier employers?*

JDS: The drivers of any security strategy are traditionally focused on people, information, facilities and assets. When I was in a similar role at Charles Schwab and at Iron Mountain, the primary threats were to the facilities. Those organizations were highly recognizable brands, with name recognition. We had guard forces deployed to protect the lobbies and perimeters of company facilities. At Iron Mountain, the stakes were made even more complex by having financial and medical information stored within those facilities. We had to have highly sophisticated technology in place for intrusion and spoke detection and fire suppression.

At Blackstone, a main priority is protecting sensitive information (such as information about potential transactions). The strategies to protect electronic and physical documents are an essential part of maintaining Blackstone's competitive advantage and we have both public and private side businesses that need to be restricted from accessing each other's space in order to comply with regulatory requirements. The firm's security strategy needs to enable the business units to accomplish their work with the precision that Blackstone is known for, and at a breakneck speed, while ensuring end-to-end security throughout.



Blackstone

SA: *What are the unique physical security challenges facing your firm?*

JDS: We have several office locations around the world including ones in which we are tenants in multi-tenant buildings. We therefore partner with and rely on the building management companies in those buildings as it relates to perimeter and lobby level security. There's excellent security infrastructure in our buildings. Our physical security requirements entail us to work with building management companies so that we are involved in defining our security requirements in the lease negotiation/renewal processes, especially as it relates to guarding, visitor management, etc.

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Q&A with Joseph DeSalvo, Blackstone *continued*

SA: How much influence do you feel like you have in different locations?

JDS: We have approximately 2,500 employees in over a dozen global locations – including about 1,000 in New York and 700 in London. In New York, we're headquartered at 345 Park Avenue, and we have extensive interactions with the building's management. That's been a long-term, 30-year relationship. We have been able to help shape security measures because there is excellent collaboration between the facilities and security professionals for both companies. In London, we are the anchor tenant and have felt that our security needs have always been addressed. After those locations, we are relatively small tenants, but have positioned ourselves in top-quality buildings which come with excellent security.

SA: What advice do you have for CSOs in terms of adding new security tools and technology?

JDS: An important starting place would be ensuring that threat monitoring capabilities are robust and comprehensive as the threat monitoring landscape is quite sophisticated right now. To identify and mitigate any credible threats, whether physical or cyber, having a robust threat monitoring capacity in place is essential. That means using multiple platforms and following up on anything that could present a threat to the firm or its people.

SA: Do you prefer to work with a security system integrator or do the work in-house?

JDS: My preference has been to always work with an integrator. There's such a wide variety of providers in this space, so it's important for the security leadership team to choose the most qualified and experienced integrator for the type of project being undertaken.

SA: How do you approach collaboration between physical and IT security?

JDS: While the CISO reports to a different vertical, we are highly integrated in ensuring that the firm's security strategy is complete, and that senior management understand the threats and mitigation efforts occurring to protect the firm's people, information, facilities and assets.



SA: Given your professional background, how do you approach collaboration between Blackstone and law enforcement agencies?

JDS: When you're at a financial company, you're always going to face risk. If somebody from the outside the organization penetrates the institution, whether it's physical or cyber, you'll need to leverage law enforcement relationships. I maintain relationships with the FBI, the Secret Service, and other law enforcement agencies, as well as my counterparts at other global financial firms.

SA: In this COVID-19 pandemic work world, what are your concerns about Blackstone's employees using Internet-connected devices for business outside of the office?

JDS: The firm maintains strong remote working technologies for our entire workforce to successfully and securely work from home. We were very well prepared, as the firm has robust business continuity, crisis management and disaster recovery programs.

SA: How do you go about promoting a company-wide security culture, and how do you see that challenge evolving as a result of COVID-19?

JDS: Companies with strong security cultures practice good security hygiene, which starts with training and raising awareness for all employees when they join the firm and on a reoccurring basis. We cover different topics in our training, from cyber security and business continuity, to workplace violence, etc. We make sure that employees understand their responsibilities and the resources available to them from both a physical and cyber perspective. Organizations that don't make security part of their regular routine will always have to play catch up, especially with new threats. Many of the principles are applicable across the different topical areas. For example, the lessons we learned from employees working remotely after Hurricane Sandy helped us prepare to work from home once again with COVID.

The SECURITY Advisor

What's Your 20 on COVID-19?

Guarding and electronic security businesses manage as best they can during the pandemic

By Keith Oringer

The COVID 19 pandemic has shed a spotlight on the ability of security company owners to effectively manage their businesses. The pandemic has placed new challenges on guard company owners as well as on their customers. Some companies have thrived, some have tread water, and others have floundered.

It is important for businesses to recognize how they can manage best during the pandemic and prepare for business post-COVID. The following issues are of particular significance for security company owners:

- Staffing Challenges
- Customer and Owner Stress
- Operations and Sales Management
- Insurance and Risk Management

Staffing Challenges

The ability of many companies to staff their accounts has been impacted. New hiring and replacing staff has become more difficult. Among the considerations on this front:

- The current federal assistance program for employees has included a provision for an additional \$600 per week for unemployed workers through July. Despite record unemployment, the available pool for employees has been impacted. Both previously laid off security guards and potential job candidates likely can earn more on unemployment than by being employed. This is more significant in states that have more generous unemployment benefit programs. It is anticipated that future federal aid programs will eliminate any incentive to not work, which would help reverse this trend.
- On-premise interviews and training have become more difficult and challenging due to social distancing regulations. Companies have had to utilize online recruiting, hiring and training.
- Mass transportation, on which many security guards and managers rely, has been reduced and is viewed by many (rightly so) as a potential health hazard.
- Employees with pre-existing conditions are more prone to illness and are at risk from continuing work.
- Accounts that require staff to interact with the public and other workers are riskier, and staff may be reluctant to be employed at such locations. Outbreaks at meatpacking and other plants are well known.



As a result of all this, we see that many guard companies are actively seeking security staff, often at wages higher than pre-COVID. Company owners know all too well the impact of rising wages on company profits in the labor-intensive security guard industry.

Challenges to properly staffing accounts have thus increased along with wages. Guard company owners must still find a way to meet existing and possibly new customer demand for service. In some cases, customers have had increased requirements. For this and other reasons, business owners in some instances are struggling to meet customer demand and remain profitable.

Customer and Owner Stress

Both customers and guard company owners are experiencing heightened financial and organizational distress due to less business coming in, lower margins due to increased costs, and slow or no payment.

In addition to the difficulties and increased costs in finding and retaining staff, security guard owners are required in many states to provide COVID-related personal protection equipment to staff. These higher operating costs, coupled with financially weakened customers who in some instances are unable or reluctant to help owners defer such costs have placed a burden on guard companies.

The companies that have been the most successful during the pandemic have been those with the ability to pass on rate increases to their customers, or obtain additional higher-margin work. The ability to do so has highlighted the need to maintain and foster excellent client relations.

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While some customers are aware of and understand the current challenging environment, others are not. It is often the most demanding customers that are the most reluctant to recognize their suppliers' increased costs and resulting need for higher rates. The guard company owner must on a case by case basis determine if retention of slow-paying customers, or those unable or unwilling to pay higher rates for the short term, is in their best interest.

Most at risk are those guard companies that had been relying upon on a small number of significant clients that are now out of business, have severely reduced business, and/or are in financial stress and paying slowly if at all. Guard companies supplying service primarily to stressed verticals such as special events, air transportation, cruise lines, and nonessential retail are having a particularly difficult time.

The companies faring better at the moment are providing security to a more diverse vertical client base. Some have obtained new higher-margin business and/or have been able to work with their customers to share in increased costs. In many cases, guard owners have been working with customers to lower overall costs by reducing coverage while still maintaining acceptable security levels, to make their service more affordable.

Companies whose payment has slowed and profits diminished due to decreased business and/or additional costs are facing stress over the ability to finance payroll. Undercapitalized companies unable to obtain financial assistance from government programs or without a credit line are in a precarious position. Only the best managed and financed companies will succeed.

Cost management must be a focus for the guard company owner. Every cost must be examined to ensure financial solvency. The successful firms know how to control costs yet retain the ability to properly service customers and retain key staff. Are you managing your overtime properly? Are you properly utilizing payroll and scheduling programs to operate efficiently? Are you working with your suppliers on better terms where possible?

It is paramount to have a plan to meet your financial obligations and remain profitable, and to follow through with that plan. Having a plan but not executing it accomplishes nothing. Recognize where to cut losses and seize opportunity where it exists while ensuring financial flexibility.

Operations and Sales Management

The best companies are able to properly service existing customers while at the same time attract new business. As the operating environment moves from full pandemic stress to reopening (and unfortunately a possible renewed wave of infection) it is important to operate profitably and efficiently now and to plan ahead.

A strong operations and sales team sets up a company for success. A good operation enhances the guard company's ability to properly service existing and new assignments. Quality companies recognize the importance of customer retention, and the fact that the cost and difficulty of gaining new business is more than the cost of retaining quality business.

Companies need to retain their key employees. While a business may be under stress, owners should think hard as to who amongst their trained and qualified staff absolutely needs be retained, so that they can properly service existing business and, when demand picks up, properly manage operations. While some staff may be willing to work with ownership on a reduced scale if there is a hardship at the business, others may not. Each employee's situation must be examined for the long term where possible.

A good sales program and company reputation will lead to more opportunities to expand. To replace any lost accounts due to the pandemic, companies need to continue to focus on business expansion. Prospecting should be continued, whether it is geographically, in promising verticals, or in new service offerings.

A good sales team will recognize where there is opportunity in the current and evolving environment, and capitalize on the strength of the company's reputation. The best companies are retaining the best salespeople who properly use customer relations and sales programs, and have industry knowledge and the ability to close deals. These sales pros know how to focus on finding and obtaining quality clients with the ability to pay and support ownership's profit-margin guidelines. Now is no time to forego expansion, as long as you have the wherewithal to add the new business.

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Insurance and Risk Management

Guard company ownership needs to understand the importance of purchasing insurance that best meets their needs. Every owner must work with a reputable agent to obtain insurance under terms best suited for their company.

Owners should compare and contrast quality, comprehensive insurance policies for workers' compensation, comprehensive general liability and employee practices liability at the best rates. Do not just stick with one company or agent just because you are familiar with them -- you must examine all options. With the pandemic, are you covered for your losses? Speak with your agent and find out.

What services you provide, whom you provide them to, and how you provide services are increasingly important during the pandemic. There likely will be additional claims due to increased sickness, injury, employee issues and claims related to the pandemic and the services you provide.

Guard company owners cannot afford to have increased claims, as insurance costs will overtake your profit. Large companies can partially self-insure, but small and midsize companies cannot afford this. For this reason, risk management is more important than ever as insurers will increase rates to cover new claims. Your claims history will be more important than ever.

The guard company owner needs to identify where there are increased risks and adjust their business accordingly. What is your experience and knowledge telling you? Are your contracts protecting you from liability? Are you providing service where you are particularly exposed to liability and claims?

While increasing business is desirable, be careful you do not put your business at risk by taking on new clients or services with excess risk. Short-term profit that may result in long-term pain is not a healthy way to conduct business. If you are not sure that a service you provide is safe, consult with a risk management expert to see if it can be done or should be avoided.

Summary

The COVID 19 pandemic has resulted in some businesses thriving, some treading water and others failing. The pandemic has resulted in increased stress on many levels. Staffing challenges, customer and ownership stress, and financial and operational stress are now commonplace. Liability in providing services has increased.

While the ability of companies to succeed has been exacerbated by the pandemic, the best-managed and financed companies are succeeding. The winners recognize how to properly manage and change as the landscape dictates. They are maintaining services and profits, and they are able to work through the different stages of the pandemic and beyond. Some are able to manage financially through government assistance programs.

It is more important than ever to obtain independent professional advice. If you are in need of assistance for the sale of your business or for guidance in managing your business, contact Security ProAdvisors. We are experts, and proficient in the sale and management of security businesses.

