



## In this issue:

- The Services we offer
- **Recent Industry M & A Developments**
- **Determining whether this is a good time to sell**
- **Deals recently Completed/ What we are working on**
- **Businesses for SALE/ What we are looking for**
- **More about Harding Security**
- **How Harding Security stays in touch with the market**

## The Services we offer:

Harding Security has expanded its services over the years. All our services below are now being offered to owners of **alarm, PERS, integration, fire, guard** and **security distribution** businesses across Canada including Quebec.

1. **Selling your company?**

If you have decided to sell and want help all the way through the process, we can look after you. This is our *bread and butter*.

2. **Selling your company and already have a buyer in mind?**

We can provide an expert opinion on the Buyer, their offer, and help you close the deal.

3. **Need a valuation done?**

We are performing more & more valuations every year. Although we are not Chartered Business Valuers, we are less expensive and more accurate when valuing the *recurring monthly revenue* in security companies. Also, unlike most valuations firms, we have the experience of actually having to close deals on our valuations.

4. **Expert Opinion**-We have been retained to provide an expert opinion on security industry valuation issues.

5. **Looking for a company to buy?**

We can help you perform the search and close the deal. We charge a small monthly retainer to perform the search and a success fee if we close a deal.

6. **Looking to buy and already have a company in mind?**

We are doing more and more of this kind of work. We can help you value the target, and structure and close the deal. We can also provide many of the required forms.

7. **You are a Buyer looking for ongoing buying opportunities?**

In certain cases, we will enter into a Buyer's Agreement with a big buyer to exclusively bring them deals. .

8. **Looking for acquisition financing?**

In certain circumstances, we can help a dealer obtain financing for acquisitions of ~~mid-to-large~~ small to mid-sized alarm companies.

9. **Designing or redesigning an Authorized Dealer Program?**

We can help you design or re-design an authorized dealer program. We also help dealers choose the right program for them and negotiate their particular deal.

10. **Post-acquisition Investment Advice?**

This is particularly useful to Sellers after they have sold – how to invest their purchase price. We have a relationship with a Canadian chartered bank which can offer you different types of investment advice.

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## **M & A Activity in the Canadian Security Industry under Covid 19**

As I write this newsletter, the 3<sup>rd</sup> wave of the coronavirus ~~is hitting is~~ gradually behind us in most parts of Canada~~Canada hard~~. Most of Canada is opening up and with luck to stay mainly because of the vaccines.~~The restrictions put in place recently will affect anyone in the industry that has to get into homes or offices to do installation or service work. And I have to think it will adversely affect the attrition on monitored accounts.~~ For security dealers I have to believe that business is returning to normal. For people like us at Harding Security doing M & A deals it is busy.

It seems odd to be talking about doing acquisition deals with the pandemic barely behind us ~~in such an environment~~ but countering ~~the~~is immediate bad shut down effect is the fact that the stock market is at an all-time high, ~~unemployment numbers are coming down~~, Canadians are saving more and have more disposable income than they have had for year~~than they ever have~~ and the increased value in the residential real estate market is making people feel richer.~~number of homes being sold in the midst of the pandemic has increased enormously~~. So there are good things happening.

The economy continues to tick along. It is noteworthy that M & A activity across all industries in Canada ended 2020 at about the same level as in 2019 which when you think about it is amazing.

Buyers, sellers and their advisors are simply just working around the pandemic to get deals done. All these parties are using ZOOM or Microsoft Teams to complete deals digitally. Quite frankly I think using Zoom instead of always thinking you have to travel to a site actually travelling to the site makes a huge amount of sense. It saves time and money.

There are other factors at work allowing deals to happen in Canada including in the security industry. Firstly there is pent up demand from the pandemic back in Mar- July 2020 when no deals were done. Secondly ~~!~~ interest rates are at an all- time low. We have seen what this does to the real estate market. Thirdly a factor I have seen in my own business is that the baby boom generation still continues to retire selling their businesses in the process. I think covid 19 has pushed some owners to sell now rather than wait. In addition some buyers are out there just looking for deals. Finally- and I have seen this too- there is a crazy amount of Private Equity money on the sidelines looking for a home. Thank God for PE money. As an M & A advisor, I see ~~that~~ PE firms are stepping up to buy where the bigger strategic players in the integration and fire space are not.

Deals were done all the way through the pandemic are being done in the security industry in Canada. I myself am working on several alarm account deals- more than normal. I also recently helped Armstrong's Communications buy Surveillance Plus a ULC approved station in Montreal, the fifth monitoring station deal I have been involved in the last 7 years. In fact I am looking for another monitoring station for another client. I know that certain buyers in the alarm account space are very busy. We just saw Onyx Fire one of the largest fire service companies in the GTA, if not Ontario get bought by a PE firm.

It is true that sSome owners are holding off putting their company on the market because of the virus. They could be worried -they won't

get the best price ~~with the virus around or it could be that~~because their business was affected by the virus and they want to get 12 months of good financial results behind them before they sell. This makes sense.

### **Is a good time to Sell?**

This is always a tough question to answer. As mentioned above there are certain “macro” factors in place that make this a good time to sell- not many properties on the market, very low interest rates and lots of PE money around.

But you personally must be ready to sell. You should plan your exit by addressing some or all of the following:

- Are you emotionally ready to sell? You will know.
- Do you have a game plan in place for after you sell?
- Have you had your company valued? If not we can do this for you. We understand the value of recurring monthly revenue better than most.
- Are you planning to sell to family, existing management or a third party? We deal mostly with sales to third party buyers.
- Have you talked to your accountant about the tax implications of a deal?
- Have you thought about hiring an M & A advisor to help you sell? They more than make up for their fee.

Also your company must be ready to sell:

- Do you have 3 years of financials and tax returns ready for the buyer to review?
- *Can your company show at least two years of solid financial results and a good forecast for the future?* This is critical!
- Do you have a good management team in place that does not count on you? This is not so important if you are ~~selling~~ alarm accounts.

- Is your customer base such that no one customer counts for more than 10-15% of your annual revenue?

If you have addressed all of these issues immediately above and the answers come back positive, then there is no reason why this is not a good time to sell.

Let me add a couple of comments about specific sectors of the security industry in regards to selling right now:

- In my recent experience days, very few alarm dealers are growing their account bases. I suggest checking your account base total versus this time last year. With the competition from the telcos (Telus in particular), ~~most~~ dealers are having to “invest” in an installation to get a new account. *Most dealers are losing more accounts than they are putting on.* My sense is this is not going to improve anytime soon. If I owned accounts, at the very ~~least~~ least, I would be getting my base in shape to sell.
- Based on the calls I get from buyers both fire & guard companies are very much in demand these days.

## Deals recently completed

As of April 2021

- **SOLD** – I represented **Delta Security**- A GTA- based guard company specializing in loss prevention doing approx. \$3.2 million in annual revenue in selling it to I Guard 360 also based in the GTA
- **SOLD**- I represented **Soteria Inc**, a small Red Deer AB based alarm company in selling it to **Liberty Security** based in Edmonton, AB

- At the end of May I closed a deal for 1400 alarm accounts based in south western Ontario- and we managed to sell the shares not just the accounts.
- **BOUGHT-** I represented **Armstrong Communications**, a Maritime based monitoring company in its efforts to buy **Surveillance Plus**, a Montreal based monitoring .station

## HSSI is currently working on the following

*As of April 2021*

- An Ontario based alarm account deal involving **2600 accounts**. A Letter of Intent has been signed to sell just the assets. Deal to close Aug 31/21
- ~~Another Ontario based alarm dealer with **1400 accounts** who is selling the shares of his company. Again a Letter of Intent has been signed.~~
- A GTA- based alarm company with **1200 alarm accounts**. Again just the accounts are being sold. A Letter of Intent has been signed.
- ~~2 separate blocks of alarm accounts both based in Alberta where HSSI is dealing with 2 different buyers. 200 alarm accounts in the GTA~~

## Businesses for **SALE**/Looking to **BUY**

*as of April 2021*

- **A Security Company** in north western Ontario is **For Sale** with a sizable block of monitored accounts along with integrated systems capability.
- **Looking to buy a ULC approved monitoring station** ideally based in the GTA or close

by. Could come with wholesale and retail accounts

Please contact us at **416-925-7474** or at [victor@hardingsecurity.ca](mailto:victor@hardingsecurity.ca) to discuss selling your business.

## What else you should know about Harding Security

1. We are a *fully independent* M & A Advisory firm based in Toronto, Canada which has been in business now for 12 years.
2. Harding Security's principal, Victor Harding, has been in the security industry in Canada now for over 25 years. He is a CA by training and has had lots of large and small company experience before getting into the security industry
3. We are focused solely on the security industry- alarm, integration, fire and guard companies.
4. We work on both the buy and sell side. We also do valuations of security companies.
5. We are the only M & A advisory firm doing deals across Canada in all parts of the security industry.
- ~~6. We have extensive contacts in all parts of the security industry.~~
- ~~7.6~~ We pride ourselves on getting the deal done. As an intermediary we have had a high closing ratio on deals
- ~~8.7~~ Harding Security has recently aligned itself with a larger M & A Advisory firm, Norton McMullen Corporate Finance, to help do larger deals in the industry.
- ~~9.8~~ We suggest you go to our website at [www.hardingsecurity.ca](http://www.hardingsecurity.ca) or our LinkedIn page at <https://www.linkedin.com/in/vicoharding> to learn more.

### Harding Security stays in touch with the security market in the following ways

- **We are members of the following security related organizations** – Canasa (Canadian Security Association), CFAA (Canadian Fire Alarm Association), , CASA (Canadian Automatic Sprinkler Association), ASIS International and ACG (Association for Corporate Growth), the M & A Club and ACG ( Association for Corporate Growth). We constantly attend seminars put on by ~~many of~~ these organizations.

- **We try to attend at least 2 of the Annual Trade Shows in Canada and the US** each year including the various regional Canasa Shows, ISC West or East, ESX or ASIS.
- **We usually attend at least 2 of the Annual Security Conferences each year** including Barnes-Buchanan, Security New Ground, the Imperial Capital Investment Conference or SPT's Security Summit.
- **We subscribe to most of the major security magazines** including Security System News, SDM, Security Sales and Integration and SPT News.
- **We write a regular bi monthly article for SPT News.**

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### **If you are getting this newsletter . . . .**

You are receiving this newsletter because you are in a senior position of a security company in Canada or the United States or I have talked to you or we have conducted business in the past. Alternatively, we could have Linked in together or, like me, you are a member of one of the following organizations: Canasa, CFAA, CASA, SIA or ASIS.

**If you do not wish to receive this newsletter in the future there is an UN-SUBSCRIBE option** at the bottom of this email. If you would like this newsletter delivered to another email address or if there is someone else in your organization who should be receiving this newsletter, please email me at [victor@hardingsecurity.ca](mailto:victor@hardingsecurity.ca).

**If you are a seller or buyer of a security company or wish to have your business valued or sold. . .** please contact Victor Harding at (416) 925-7474 or via email: [victor@hardingsecurity.ca](mailto:victor@hardingsecurity.ca)



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