

Beaufort consolidates global fire and security industries

DESPITE a slowing global economy, the past 36 months has shown an unprecedented level of merger and acquisition activity among global fire and security companies, comments **Daniel E. Lach**, managing director, Beaufort International LLC.

However, despite recent high profile US-based transactions, he says the major change in activity level has occurred in the middle market – i.e. companies with turnover in the range of R50- to R500-million.

He says that in this market, companies owned and managed by technically minded entrepreneurs are in rapid transition.

He continues: "In the United Kingdom and South Africa particularly, high profile industry participants, such as Ziton SA (Pty) Limited (sold to Edwards System Technology by Beaufort in September 2000), BBR Security (sold to Chubb in November 2000) and Aritech (part of Interlogix, sold to General Electric Company in February 2002), have recently been divested.

"Across Europe, mid-sized fire and security companies such as Photain Controls, Eltek Fire & Safety, Autronica and former Chloride Plc security businesses (ADE, Bardic and Viper) have joined global players. In these transactions, Beaufort represented the vendors.

"There's a clear reason for this fundamental change", says Mr Lach. "Price levels for fire and security businesses are way up. Of course, a competitive negotiating environment must exist to maximise value for the sellers. Creating that environment is what we do."

Following completion of two transactions involving Cape Town-based Ziton, Beaufort is now focussing on South Africa. With transaction experience on three continents, Beaufort has become a leading advisor in the international fire and security industry.

Mr Lach states: "In the past, deals in the

fire and security industry were often struck between parties who knew each other well."

However, these relationships often served to "muddy" the divestiture process.

"Vendors were concerned about rumours leaking out, thereby making them unwilling to admit that their businesses may be open to offers. In price discussions, shareholders were concerned about losing face. The divestiture process was also less well defined. Sellers did not know what their businesses were worth. Comparable financial information was unreliable or non-existent. Beaufort has changed all that".

Since helping to wrestle control of Autronica away from Whessoe plc in 1997, Mr Lach has helped Beaufort dominate the international league table of fire and security advisors.

"Beaufort leads the market by focussing on the mid-sized fire and security sector," says Mr Lach. "In handling the bulk of European transactions, we're also better informed to advise clients on how valuation multiples are moving in different countries. We also can take a view on if an offer is reasonable compared to what we've seen in the past.

"Previously, vendors had a difficult time in managing the divestiture process. Plenty of tyre-kicking abounded.

"Often, it was unclear if the vendor or purchasers were serious in doing a deal. Time and effort were wasted.

"Now, when Beaufort gets involved, transactions get done. Multi-nationals know we mean business."

With Beaufort serving as primary deal consolidator, it is also well positioned to advise clients on timing.

Previously, large companies negotiated with sellers simultaneously, giving buyers an advantage and suppressing prices. "Today, transaction scheduling can ensure that our

clients' objectives do not conflict".

Purchase prices have also risen due to increasing globalisation. "Today, distribution means everything," says Mr Lach. "One good product sold in a domestic market may have far greater sales potential to a multi-national, especially if it gains additional certifying approvals. This type of earning potential comes from greater distribution capabilities to the international marketplace that global companies can provide."

Industry leaders now view fire and security as critical components of an intelligent building network. This trend will eventually integrate fire, security, lighting, access control and HVAC into a central system. Multi-nationals want to possess all the pieces to this integrated security puzzle.

Such change now enables smaller companies to be valued by global leaders more generously. "In a competitive situation, purchasers are forced to offer the vendor a portion of the additional value to be realised from the business once it has been integrated into the buyer's structure. This value would take years to grow by an independent company working alone."

With more than R3-billion in transactions completed within 36 months, Beaufort's influence in the market has been significant. Although statistics are proprietary, analysts estimate that post September 11, selling prices for fire and security companies have risen markedly.

With acquisitions slowing this year, Beaufort has concentrated on making its presence better known among mid-market players.

Mr Lach stated: "Beaufort has always had great visibility with global fire and security leaders. Now entrepreneur-owned businesses are learning about the better way Beaufort does business." ■

Cricket World Cup security contract awarded

ZERO Foundation and Paiges Security (the Paiges Consortium), in conjunction with Khagiso Security and Giro Management Services, have been awarded the contract to provide security for the 2003 Cricket World Cup tournament.

The 14 teams will be playing at 52 stadiums in South Africa, Kenya and Zimbabwe during February and March, 2003.

Apart from ensuring the security of the teams, the players' wives, the umpires and VIPS, the contract also requires close liaison with Lord Condon's Anti-Corruption team.

For more information about ensuring the security of visiting clients or customers, or simply wanting to know more about the venues, visit <http://www.cricketsecurity.co.za> ■