

Emerging Technologies Boost Value of Fire & Security Divestitures

Daniel E. Lach
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“You can’t teach an old dog new tricks”, so the saying goes.

But that doesn’t mean you can’t buy some. In today’s fast changing, technology driven marketplace, large scale fire and security companies are frightened of losing their competitive edge due to accelerating product obsolescence.

“This fear is primarily what’s driving increased valuation multiples on the emerging technology side in fire and security”. These words emanate from Daniel E. Lach, Managing Director of Beaufire, the longstanding market leader in acquisitions and divestitures in the fire and security industry.



After learning the painful lessons ignored by Kodak, Blackberry and Nokia, today’s technology participants understand that ignoring emerging trends can quickly spell death even for the largest of market players. “Particularly in the fire industry, says Mr. Lach, “where the speed of emerging technology has been constrained by legislative requirements, companies realise that big change is coming.”

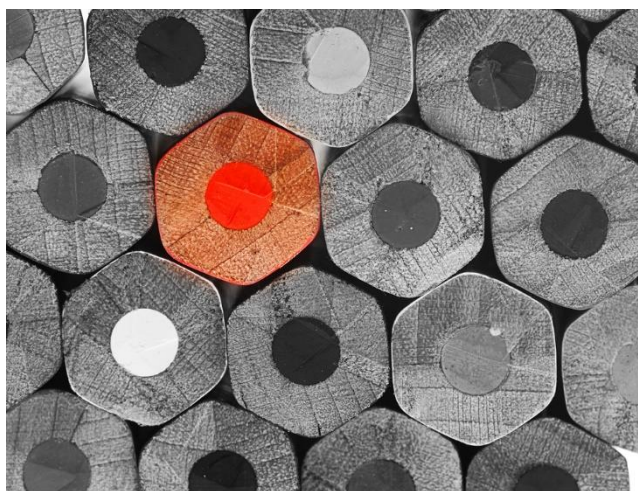
The most predominate growth area is that of wireless technology. Wi-fi is now fully accepted by the public in many areas and its growth in popularity is accelerating at an ever-increasing rate.

Following Beaufire’s handling of the divestiture of Italian wireless specialist **Argus Security Srl** to UK based **Halma plc**, Mr. Lach stated, “the interest by global companies in Argus was massive, because Argus remains one of the few fire detection manufacturers that have specialised knowledge in wireless fire detection technology.”

This interest manifested itself in Halma announcing the purchase of Argus and its distributor **Sterling Safety Systems** for a combined cash consideration of £21 million. The combined revenue for the year ending 31 December 2016 was £13 million, an impressive price multiple of 1.6 times turnover. BITDA multiples were even more impressive.

Mr. Lach has some scholarly advice for other mid-size companies that are looking to make themselves more attractive as buyout candidates.

“To stand out in a crowded market, the most successful companies develop knowledge in new areas that have yet to become main stream. By acquiring this expertise, small companies can quickly make themselves very attractive to large players that can quickly translate a fledgling good idea into an exciting, big selling product.”



“Other areas of high growth exist in fields such as cyber security and remote accessible system design,” stated Mr. Lach.

Interestingly, a medium sized company does not even need the bulk of its business to be in the emerging technology area. As long, as the business can show market acceptance of a new idea, buyers will be very interested at an early stage.

In many cases, Mr. Lach believes that small companies wait too long to convert their good ideas into significant financial returns.

“Usually, limited financial and manpower resources will significantly impede the rate of expansion a great new product will have in the marketplace. During that time, other quick adapters may be tempted to jump on the band wagon, by either reverse engineering a new product or blatantly stealing the technology. Large companies have the financial firepower to patent the technology, defend the patent, refine the product design and distribute it widely into the market at a rate that will quickly impact the industry.”

Of course, a good idea will only translate into a big payoff for the company that owns the idea if there is more than one buyer interested in the technology. “Getting the word out that cutting edge technology may fall into the hands of a global competitor is the best way to get other globally oriented companies fear the danger of falling behind in the race. “That is when sale multiples really take off,” says Mr. Lach.

By handling dozens of divestitures in the fire and security industry over the past 20 years, Beaufire continues to dominate the mergers and acquisitions field in the fire and security sector.

Over that period of time, Beaufire (formerly known as Beaufort International LLC) has been responsible for the divestiture of well-known companies such as **Texecom, Autronica, Eltek, Ziton** and many others.



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