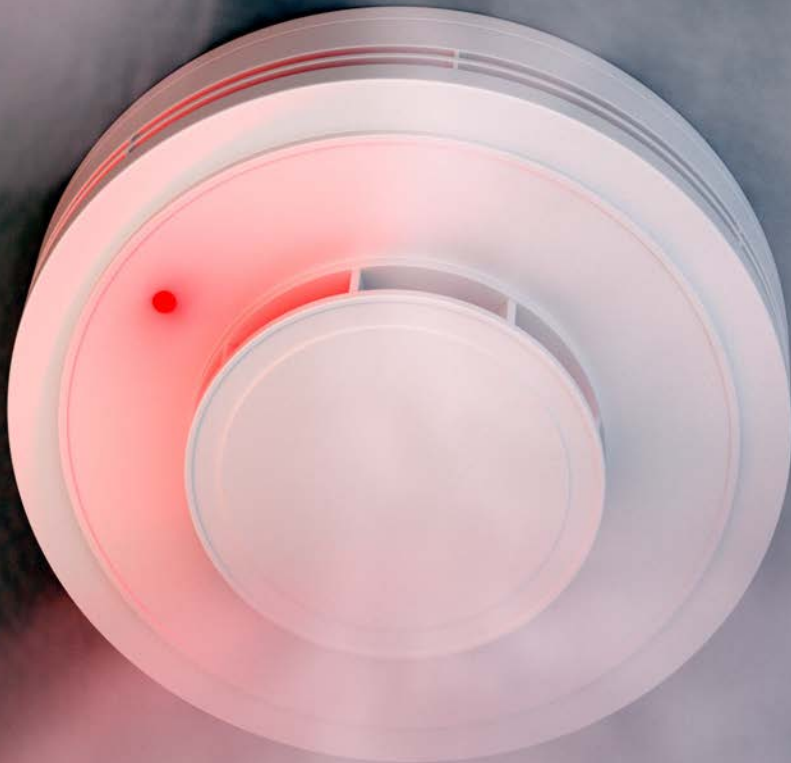




HOULIHAN LOKEY

# FIRE AND LIFE SAFETY SERVICES

Market Update | Winter 2022



# Houlihan Lokey's Dedication to the Fire and Life Safety Sector

Houlihan Lokey brings unique depth to the fire and life safety (FLS) sector through a close collaboration of its security and safety technologies expertise and dedication to the building services industry. Leveraging this unique perspective across the value chain, this industry update uncovers key growth drivers specific to our expertise in FLS services. We would be pleased to continue the conversation regarding sector trends and creative growth strategies. If there is additional content or commentary you would find useful, please do not hesitate to call or email us. We look forward to discussing further.



The depth of Houlihan Lokey's coverage of the FLS market is supported by the unrivaled breadth of its global platform:

- No. 1 M&A advisor for all U.S. transactions
- Closed 700+ M&A deals in the past five years
- Expertise advising management to optimize post transaction partnerships

2020 M&A Advisory Rankings  
All U.S. Industrial Transactions

Rank	Advisor	Deals
1	Houlihan Lokey	
2	Generational Equity	
3	Goldman Sachs & Co	
4	Jefferies LLC	
5	JP Morgan	
5	Moelis & Co	

Source: Refinitiv (formerly known as Th)

2020 M&A Advisory Rankings  
All U.S. Business Services Transactions

Rank	Advisor	Deals
1	Houlihan Lokey	
2	Generational Equity	
2	Jefferies LLC	
4	JP Morgan	
4	Evercore Partners	

Source: Refinitiv (formerly known as Th)

2020 M&A Advisory Rankings  
All U.S. Transactions

Rank	Advisor	Deals
1	Houlihan Lokey	210
2	Goldman Sachs & Co	172
3	JP Morgan	132
4	Evercore Partners	126
5	Morgan Stanley	123

Source: Refinitiv (formerly known as Thomson Reuters)

## Selected Transactions

 has been acquired by  Sellside Advisor	 has merged with  Sellside Advisor	 a portfolio company of  has been acquired by  Sellside Advisor	 a portfolio company of  has been acquired by  Sellside Advisor	 Detection Logic Fire Protection, Inc. has been acquired by  Sellside Advisor
Acquisition financing  DBAG Fund VIII together with DBAG acquired  Buyside Advisor*	 has acquired  Buyside Advisor*	 has been acquired by  Sellside Advisor*	capiton has sold  to  Sellside Advisor*	 has been acquired by  Sellside Advisor

## FLS Sector Leaders



**Michael Morabito**  
Security and Safety Solutions  
Cell: +1 917.544.2628  
Office: +1 212.497.7966  
Email: [MMorabito@HL.com](mailto:MMorabito@HL.com)



**Casey Schwartz**  
Services (U.S.)  
Cell: +1 818.625.4196  
Office: +1 310.789.5737  
Email: [CRSchwartz@HL.com](mailto:CRSchwartz@HL.com)



**Axel Bauer**  
Services (EU)  
Cell: +49 160 978 32588  
Office: +49 89 413 12 139  
Email: [Axel.Bauer@HL.com](mailto:Axel.Bauer@HL.com)



**James Sutch**  
Services (UK)  
Cell: +44 (0)7436 338 062  
Office: +44 (0)20 7907 4276  
Email: [James.Sutch@HL.com](mailto:James.Sutch@HL.com)

## Recent Sector Case Study\*\*



"Today we welcome the 13,000 employees of Chubb to the API family... We begin 2022 as the world's leading life safety services provider."

—Russ Becker, API President and CEO

"The acquisition of Chubb transforms API into the world's leading life safety services provider... Together, the business can move faster and more efficiently, globally leveraging the expertise and ability of our combined 26,000 dedicated and talented employees."

—Sir Martin E. Franklin, API Co-Chair

"The acquisition creates another new chapter for API... as the global leader in life safety services concentrating the majority of the business on statutorily mandated, recurring service revenue."

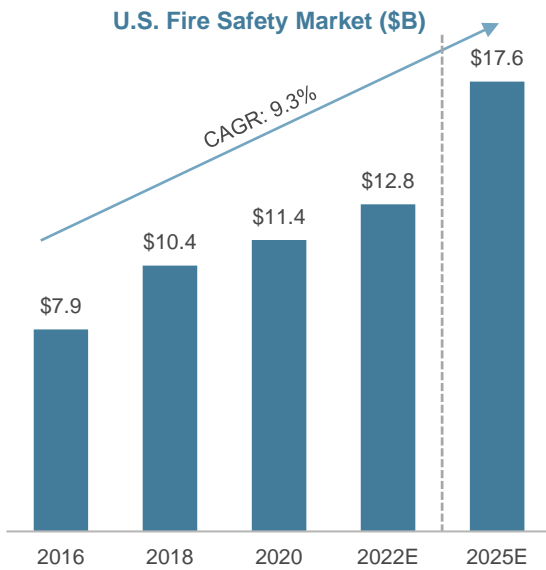
—James Lillie, API Co-Chair

\* Selected transactions were executed by Houlihan Lokey professionals while at other firms acquired by Houlihan Lokey.

\*\* James Sutch acted as financial advisor to API on its acquisition of Chubb at his previous organization.

# Key Trends Driving Sector Demand Today

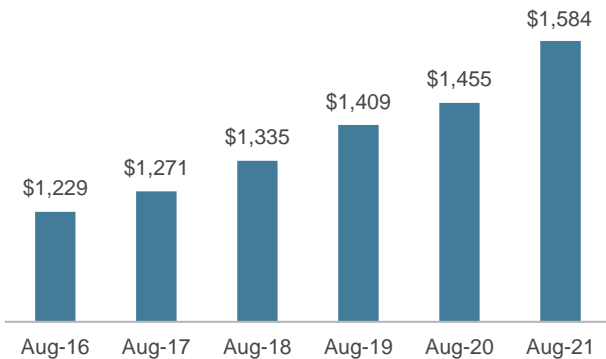
## Industry Overview



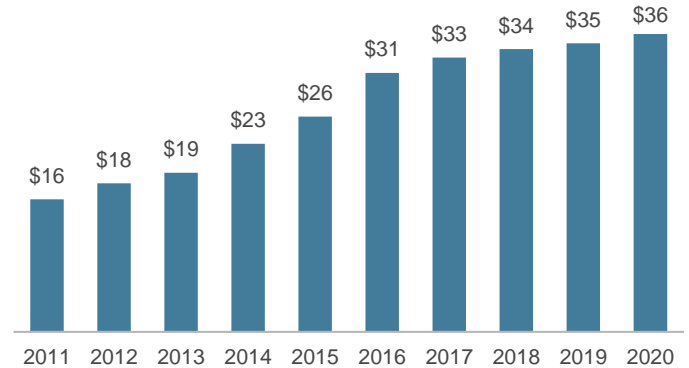
- The fire and life safety market has experienced, and is poised to continue realizing, outsized growth. This growth can be attributed to:
  - Increased building activities (both new structures requiring new systems and the repair/replacement of existing infrastructure and technologies)
  - Injuries, casualties, and property loss from fire breakouts, resulting in public outcry for greater spend on life-saving measures
  - Stringent regulatory compliance, which is accelerating in line with public sentiment
  - Adoption of advancements in technologies to prevent, detect, and respond to fire and life safety related incidents
- The industry outlook is supporting secular growth trends, while a vast \$10 billion+ market size provides ample opportunity for platforms to accelerate growth through M&A

## Key Trend #1: Increased Building Activity

**U.S. Construction Spend (\$B)**



**U.S. Commercial Property Remodeling Spend (\$B)**

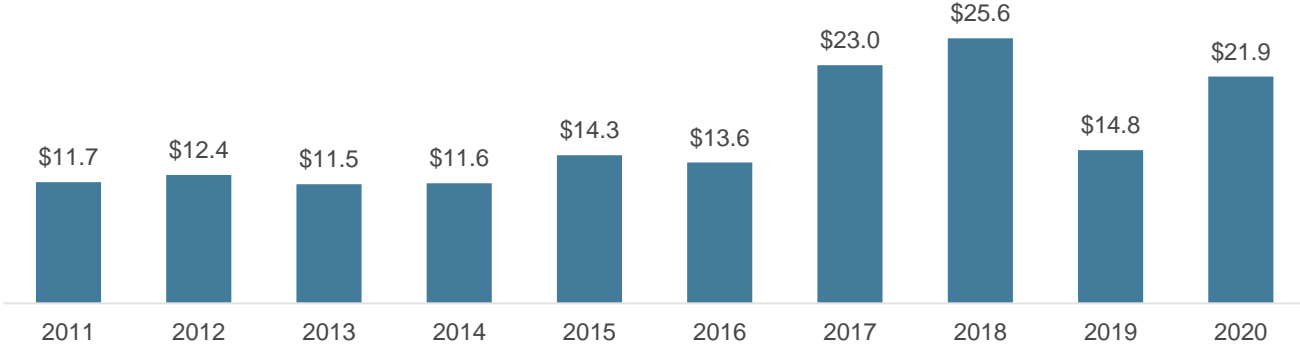


- The demand for FLS services will increase as rising construction activity necessitates installation activity
- According to ProEst, the average cost to construct a new commercial building can range anywhere from \$289 to \$1,272/sq. ft., depending on building type
  - The installation cost of a fire sprinkler system in new commercial construction is \$1–\$2/sq. ft.
  - Meanwhile, fire sprinkler system installations in existing buildings cost between \$2–\$7/sq. ft.
- The relatively minor expense associated with FLS, compared to the cost profile of the overall construction project and the criticality of the FLS value proposition, results in strong and inelastic spending patterns
- This growth in new installations also translates into a long curve of subsequent repair, maintenance, and upgrade of the growing installed base of serviceable systems

# Key Trends Driving Sector Demand Today (cont.)

## Key Trend #2: Rise of Fire Safety Incidents

U.S. Direct Property Damage (\$B)



The growth in fire and life safety services is driven by the increase in demand for infrastructure upgrades and maintenance as new technologies and regulation standards are implemented to address the continued rise of fire incidents

- In 2020, local fire departments in the U.S. responded to 1,338,500 fires that resulted in 3,500 civilian deaths, 15,200 civilian injuries, and more than \$21.9 billion in direct property damage
- Every 23 seconds, a fire department responds to a fire somewhere in the nation

## Key Trend #3: Government Regulations and Compliance

- Widespread adoption of safety measures to prevent, monitor, and respond to incidents are propelling the global growth of fire protection services and technologies
- The NFPA has more than 300 requirements for new construction, including the installation of sprinkler systems, national fire alarms, signaling codes, etc.
- The U.S. government is continuously reviewing expanded regulations and essential safety mandates, leading to a FLS forecast industry CAGR of 9% from 2020 to 2025
- A focus on fire and life safety is not only a national concern but is also prioritized at the state and local levels

### Selected Standards and Codes in Action

NFPA 10	▪ Employers required to provide portable fire extinguishing equipment in the workplace for incipient-stage fires
NFPA 25	▪ Standard for the inspection, testing, and maintenance of water-based fire protection systems from remote locations
NFPA 13	▪ Standard for the installation of sprinkler systems in low-rise residential structures to protect multistory and standalone buildings

# Key Trends Driving Sector Demand Today (cont.)

## Key Trend #4: Technological Advancements, Including Rise of Smart Buildings



Fire Inspection Systems



Fire Monitoring



Fire Suppression



IoT Fire Detector

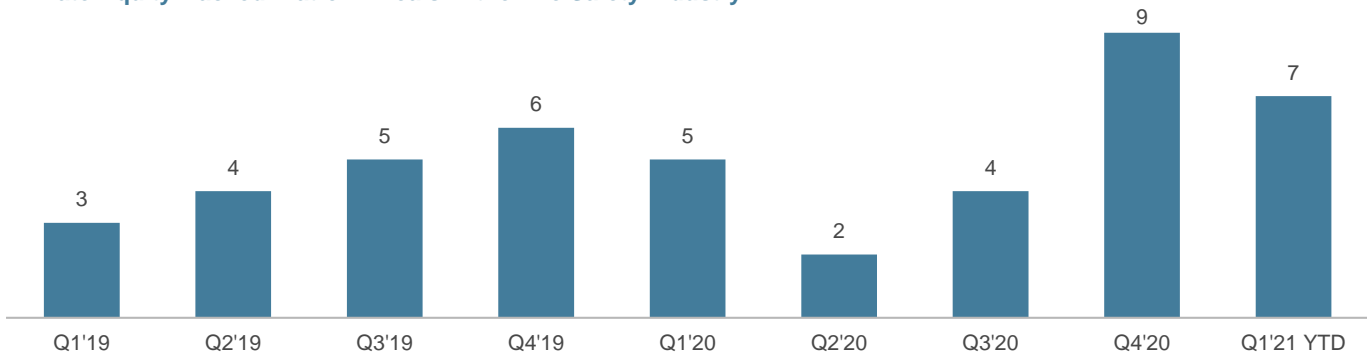


IoT Fire Alarm

- Sector estimates predict the smart buildings market to grow at a CAGR of 12.6% from 2019 to 2026
  - This is accelerated by an increasing emphasis on carbon footprint reduction and energy efficiency, including heightened demand for sustainable fire safety measures (technologies and chemistries)
- North America led the global smart building market in 2019 due to heavy utilization of advanced technologies such as big data, IoT, data analytics, cloud computing, artificial intelligence, and deep learning in both new and remodeled buildings
- An increasing volume of connected fire alarm systems are now operating wirelessly and has resulted in the automation of “smart” infrastructure through sensor data and artificial intelligence, enabling:
  - **Early Detection:** Automated alarms promptly notify authorities in the event of a fire incident
  - **Preventive Maintenance:** Heat sensors continuously monitor electrical systems and send alerts when prescribed safety norms are breached
- COVID-19 has also accelerated demand for higher tech solutions, including zero-touch buildings, access control systems, and related smart safety
- The commercial application segment, which comprises applications for retail, government, healthcare, and telecom/IT, accounts for more than 48% of the global revenue in 2020 and is estimated to grow significantly in the coming years as building and remodeling activity increases

## Key Trend #5: Consolidation in the Highly Fragmented Industry

### Private-Equity-Backed Platform Deals in the Fire Safety Industry







- The highly fragmented fire and life safety market provides vast opportunity for financial sponsors and strategic buyers to grow through acquisitions
- Acquiring additional revenue while realizing synergies through a roll-up strategy allows buyers to build rapid scale and improve margins
- While the above represents platform deals, a vast opportunity exists to pursue a buy-and-build strategy

# Key Focus Areas and Transaction Spotlights

## Key Focus Areas for Strategic and Sponsor-Backed Acquisitions

Strategic (or Sponsor-Backed Strategic)	Sponsor (Platform Focused)
<ul style="list-style-type: none"> <li>Additional FLS-related service lines</li> <li>Key technology-enabled capabilities</li> <li>Further geographic density in existing markets</li> <li>Opportunity to penetrate a new geographic region</li> <li>Opportunity to penetrate adjacent end markets</li> </ul>	<ul style="list-style-type: none"> <li>Platform of scale to support organic growth and add-on thesis</li> <li>Route-based logistics business model</li> <li>Recurring revenue profile</li> <li>Emphasis on inspection and repair or high-end design</li> <li>Regulatory drivers</li> </ul>

## Recent Transaction Spotlights – Fire and Life Safety Services

Date	Target	Buyer	Rationale
Dec. '21	 (Security Solutions Assets)		Change of profile from a guarding company to an intelligent security solutions partner to deliver the combination of global presence, connected technology, and intelligent use of data.
Nov. '21		CARLYLE	Opportunity to combine Sciens' fire and life safety knowledge with Carlyle resources to add value for Sciens' customers, channel partners, and employees.
Sept. '21		BlackRock	Opportunity to continue building a national platform with comprehensive services, capitalizing on an industry need for end-to-end solutions as safety remains a critical regulatory focus.
Sept. '21			Opportunity to continue building a strong platform that services the full spectrum of critical fire safety needs for its customers.
July '21			Capture a world-leading market position in life safety, with a focus on recurring, statutorily mandated services. Also accelerates revenue growth through cross-selling.
Apr. '21	 		Exceptional platform in fire and life safety service space with team to back. Strong growth profile supported by the company's national footprint and channel relationships. Well positioned to pursue and integrate acquisitions.
Apr. '21		TORQUEST	One of the largest bases of fire and sprinkler technicians in Ontario, with outstanding reputation. Strong growth outlook to broaden presence in marketplace.
Mar. '21			Unique services business poised for growth in attractive fire protection industry. Opportunity to drive growth organically and through acquisition.
Mar. '21		HGGC	Opportunity to accelerate organic and acquisitive growth strategies in attractive fire protection market. Outstanding customer- and employee-centric culture, deep knowledge base, and strong operations enable continued service excellence and a market-leading position.
Jan. '21			Opportunity to serve a new market while realizing the company's legacy and strong local presence. Transaction enables the company to provide expanded services and support to customers.

# Disclaimer

© 2022 Houlihan Lokey. All rights reserved. This material may not be reproduced in any format by any means or redistributed without the prior written consent of Houlihan Lokey.

Houlihan Lokey is a trade name for Houlihan Lokey, Inc., and its subsidiaries and affiliates, which include the following licensed (or, in the case of Singapore, exempt) entities: in (i) the United States: Houlihan Lokey Capital, Inc., and Houlihan Lokey Advisors, LLC, each an SEC-registered broker-dealer and member of FINRA ([www.finra.org](http://www.finra.org)) and SIPC ([www.sipc.org](http://www.sipc.org)) (investment banking services); (ii) Europe: Houlihan Lokey EMEA, LLP, Houlihan Lokey (Corporate Finance) Limited, and Houlihan Lokey UK Limited, authorized and regulated by the U.K. Financial Conduct Authority; Houlihan Lokey (Europe) GmbH, authorized and regulated by the German Federal Financial Supervisory Authority (Bundesanstalt für Finanzdienstleistungsaufsicht); (iii) the United Arab Emirates, Dubai International Financial Centre (Dubai): Houlihan Lokey (MEA Financial Advisory) Limited, regulated by the Dubai Financial Services Authority for the provision of advising on financial products, arranging deals in investments, and arranging credit and advising on credit to professional clients only; (iv) Singapore: Houlihan Lokey (Singapore) Private Limited and GCA Singapore Private Limited, each an “exempt corporate finance adviser” able to provide exempt corporate finance advisory services to accredited investors only; (v) Hong Kong SAR: Houlihan Lokey (China) Limited, licensed in Hong Kong by the Securities and Futures Commission to conduct Type 1, 4, and 6 regulated activities to professional investors only; (vi) India: GCA India Investment Advisers Private Limited, registered as an investment adviser with the Securities and Exchange Board of India (registration number INA000001217); and (vii) Australia: Houlihan Lokey (Australia) Pty Limited (ABN 74 601 825 227), a company incorporated in Australia and licensed by the Australian Securities and Investments Commission (AFSL number 474953) in respect of financial services provided to wholesale clients only. In the United Kingdom, European Economic Area (EEA), Dubai, Singapore, Hong Kong, India, and Australia, this communication is directed to intended recipients, including actual or potential professional clients (UK, EEA, and Dubai), accredited investors (Singapore), professional investors (Hong Kong), and wholesale clients (Australia), respectively. Other persons, such as retail clients, are NOT the intended recipients of our communications or services and should not act upon this communication.

Houlihan Lokey gathers its data from sources it considers reliable; however, it does not guarantee the accuracy or completeness of the information provided within this presentation. The material presented reflects information known to the authors at the time this presentation was written, and this information is subject to change. Houlihan Lokey makes no representations or warranties, expressed or implied, regarding the accuracy of this material. The views expressed in this material accurately reflect the personal views of the authors regarding the subject securities and issuers and do not necessarily coincide with those of Houlihan Lokey. Officers, directors, and partners in the Houlihan Lokey group of companies may have positions in the securities of the companies discussed. This presentation does not constitute advice or a recommendation, offer, or solicitation with respect to the securities of any company discussed herein, is not intended to provide information upon which to base an investment decision, and should not be construed as such. Houlihan Lokey or its affiliates may from time to time provide investment banking or related services to these companies. Like all Houlihan Lokey employees, the authors of this presentation receive compensation that is affected by overall firm profitability.



**CORPORATE FINANCE  
FINANCIAL RESTRUCTURING  
FINANCIAL AND VALUATION ADVISORY**

**HL.com**