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Stanley works towards becoming a "one stop" security giant

By Rhianna Daniels

NEW BRITAIN, Conn.--The Stanley Works last week announced that it has entered into an agreement to acquire security monitoring company HSM Electronic Protection Services for a whopping \$545 million and also unveiled plans to split its Stanley Security Solutions business into two separate groups.

HSM, formerly Honeywell Security Monitoring, enables Stanley to build its security platform after taking a two-year hiatus from the acquisition space. Prior to that, Stanley had been active in the M&A arena, building a \$900-million security platform from buys that included Frisco Bay, ISR Solutions, Best Access and Sargent & Greenleaf.

"When thinking about the security solutions platform, we felt a month or two ago that it was clear we were ready to expand," said John Lundgren, chairman and chief executive officer of The Stanley Works, in an investor's conference call last week.

HSM -- the fourth largest electronic security company in North America -- brings a large national account portfolio to Stanley along with a Minneapolis central monitoring station and a network of branch locations across the United States. But more importantly, it adds recurring revenue to Stanley's financials.

Lundgren noted that the deal helps mold the company into a "one-stop physical security solution."

HSM was purchased from Honeywell by GTCR Golder Rauer in 2004 for \$315.4 million and was quickly put into the hands of industry veteran Jim Covert. In the past two years, HSM has focused on organic growth as well as acquisitions, adding major commercial customers along the way. Stanley officials announced that Covert will step away from the business, but Tim Whall, president and chief operating officer of HSM, will join the Stanley team.

Along with the HSM acquisition also comes the division of Stanley Security Solutions into two separate platforms -- Convergent Security Solutions, which will group its existing electronic access control and systems integration business with monitoring capabilities, and Mechanical Access Solutions, home to the commercial lock business, automatic doors and hardware-related activities. Justin Boswell, the current president of the security solutions group who will head the mechanical access division, said dividing the business will improve focus and profitability.

"On top of this, the direct distribution we have gives us a tremendous advantage in the marketplace," he said. "That is something our competitors wish they had."

Executives from the firm noted that the opportunities for cross selling between the Stanley divisions are unlimited.

"This is a great opportunity to get better coordinated and expand our offerings into other channels where we have not had coordinated efforts in before," Boswell said.