

SECURITY SYSTEMS NEWS

THE BUSINESS NEWSPAPER FOR THE SECURITY SYSTEM INTEGRATOR & INSTALLER

December 14, 2006

Stanley Works to buy HSM

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NEW BRITAIN, Conn.--North America's largest commercial security systems integrator just got bigger. Stanley Works has announced an agreement to purchase HSM Electronic Protection for \$545 million. HSM will become part of the new Convergent Security Solutions business unit of Stanley's Stanley Security Solutions division, along with the UK-based Blick (purchased in 2004) and all integration business.

The rest of the Security division will be wrapped into Mechanical Access Solutions, which will comprise all of hardware sales, along with builder's hardware, which hadn't previously been part of Stanley's security division.

Stanley Security Solutions will now represent \$1.4 billion in annual sales, with the Convergent unit pulling in \$600 million. The \$545 million price-tag, according to Stanley, represents multiples of 2.7x 2006 sales, 12x 2006 EBITDA, and 60x 2006 RMR.

In a conference call with investors, held Dec.14, Stanley chairman and chief executive officer John Lundgren called the HSM buy a "game changing" event for the company, allowing for growth in security integration where it would have been difficult before. Because of single-digit operating margins, resulting from revenue generated almost exclusively from installation projects, the integration portion of the business was growing at only three percent annually. However, thanks to HSM's roughly \$100 million commercial alarm monitoring business (half of annual revenues), and therefore recurring monthly revenue, electronic security will be a much higher margin and scalable business for Stanley going forward.

HSM chief executive officer Jim Covert will leave the company and retire to New Zealand, according to Lundgren. Chief operating officer Tim Whall and chief technology officer Don Young will join Stanley Security Solutions.

For more on this story, see the February issue of Security Systems News.