

**October 2025**

We just returned from a couple of recent security conferences and feel energized by the many topics that were discussed. One area that we found interesting was Private Equity's growing focus on the security industry. Hence, this month's BLOG!

## **Private Equity's Growing Interest in the Physical Security Industry**

Private equity has always followed the money - and increasingly, it's finding its way into the physical security industry. What was once a local, labor-intensive business of guard services and alarm monitoring is now evolving into a highly attractive investment opportunity, shaped by consolidation, technology, and the demand for resilience. While private equity has been involved in the security industry for decades, it has generally been a small group focused on larger middle-market platforms and supporting roll-ups within them. Over the past few years, several new investors have taken notice of the success of earlier generations of PE investors and developed an appetite for the industry. The new entrants are focusing on earlier, lower-middle-market investments to benefit from the arbitrage of consolidating these smaller companies into middle-market leaders.

As someone who watches this industry closely, I see three major forces driving private equity's growing appetite for security businesses:

### **1. The Resilience Factor**

***Security isn't a "nice to have." It's a necessity.*** In a society with increasingly elevated risk levels, businesses, governments, and institutions must protect their people, property, and assets. That makes security a recession-resistant industry, a rare quality in today's unpredictable economy. PE firms prize this stability, especially when paired with recurring revenue models.

### **2. Consolidation as a Strategy**

The security sector remains highly fragmented, with thousands of small and mid-sized companies competing for contracts in local and regional markets. For private equity, this fragmentation screams "opportunity." Roll-up strategies, in which multiple smaller businesses are acquired and integrated, enable investors to build scale quickly, unlock operational efficiencies, and create more valuable platforms.

With a proven recipe developed by earlier investment pioneers and sweetened with a recent wave of innovation amid strong privatization trends, the new investors are providing a larger group of founders with varied options to take some chips off the table either through a complete exit or by accelerating their growth strategy, leading to a better capitalized platform.

### **3. The Technology Convergence**

Perhaps the most important shift and the one that makes today's security sector different from a decade ago is the industry's embrace of technology. Video analytics, AI-driven process improvements, robotics, drones, and integrated systems are changing how security is delivered. PE firms aren't just buying traditional guard companies; they're betting on hybrid models that combine people, processes, and technology to deliver more innovative, higher-margin solutions. This convergence is enhancing business models and reshaping the competitive landscape.

#### **What This Means for Owners and Operators**

For security company leaders, private equity's growing presence brings both opportunity and challenge:

- Opportunities to Exit at Strong Valuations: Well-run businesses with recurring revenue, disciplined operations, and a clear technology strategy continue to command strong multiples.
- Access to Growth Capital: PE backing can give mid-sized companies the resources to accelerate growth, invest in new technologies, and win larger contracts.
- Rising Competitive Pressure: Independent firms may increasingly find themselves going head-to-head with PE-backed players who have the wherewithal to scale rapidly and optimize back-office systems and costs, which can allow them to compete better or realize a better return.

#### **The Path Ahead**

Looking forward, I expect private equity to remain one of the most significant forces reshaping the physical security industry. Consolidation will continue, but the winners will be those who embrace technology and deliver integrated, scalable solutions. Owners who think strategically, whether to grow, partner, or sell, will be best positioned to capitalize on this wave of investment.

**The message is clear: private equity isn't just investing in security companies. It's helping redefine what the security industry will look like in the next decade.**

## **Looking Ahead**

Private equity will remain a pivotal force reshaping the physical security landscape. Success will favor companies that embrace tech, integrated video analytics, AI-powered processes, robotics and drones, to deliver more innovative, margin-rich solutions.

***For industry leaders, now is the moment to ask:***

- How can we quickly incorporate or partner on technology?**
- Where are the best roll-up synergies?**
- How do we position ourselves, growth, partnership or exit, in a consolidating space?**