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Tyco Acquires Brink's Home Security for \$2B

Jan 20, 2010, SCHAFFHAUSEN, SWITZERLAND AND IRVING, TEXAS -- Tyco Int'l Ltd. and Brink's Home Security Holdings Inc. announced Monday a definitive agreement for Tyco to acquire Brink's Home Security Holdings, now operating as Broadview Security. Following the closing of the transaction, Tyco intends to combine Broadview with Tyco's ADT security business. The cash and stock transaction is valued at \$42.50 per share or approximately \$2 billion. The deal is believed to represent a paid multiple of around 47x recurring revenue for Broadview/Brink's. The transaction has been unanimously approved by the board of directors of each company.

The transaction combines two of the premier companies in the North American residential and commercial security industry. Broadview Security is one of the leading monitored security companies in North America. ADT is the world's largest electronic security provider. Tyco intends to combine the two businesses under the ADT name.

"This transaction provides us the opportunity to further strengthen our position in the residential and commercial security industry, while advancing Tyco's overall strategy to increase its presence in its core security, fire and flow control platforms," says Tyco Chairman and CEO Ed Breen. "Broadview's strong presence in the North American security market, significant recurring revenue and attractive margins will enhance ADT's financial performance and support our long-term growth in this large, fragmented and highly competitive industry."

Bob Allen, president and CEO of Broadview says, "We are proud of all we have achieved as a company to increase our customer base, and to grow our revenue and income in a challenging economy. We view this transaction as the culmination of these efforts, providing our shareholders with an attractive premium for their shares, including cash consideration and an opportunity to participate in the future growth of Tyco Int'l."

"ADT and Broadview are an excellent strategic fit. We have highly complementary product and service offerings, strong sales and marketing organizations and a shared dedication to quality customer service," says Naren Gursahaney, president of ADT Worldwide. "We expect this combination to result in an even more efficient, more successful ADT."

Broadview Security has more than 1.3 million recurring revenue accounts throughout North America with annualized revenue of approximately \$565 million. ADT has more than 7.4 million recurring revenue accounts globally and generated revenue of \$7 billion in fiscal 2009. ADT's North American residential and small business operation, which is the most comparable to Broadview, has 4.8 million recurring revenue accounts and revenue of \$2.2 billion in fiscal 2009.

Sandra Jones, principal of Chardon, Ohio-based consultants Sandra Jones & Co., says the deal was not unexpected and speaks to the continuing appeal of recurring revenue-based businesses.

"One of the key drivers of separating Broadview from Brink's was so the security monitoring business would become a pure play and attractive opportunity for acquisitions," she tells SSI. "It was not a matter of if it would then be sold, but when, by whom and how much. Even in a down economy the value of RMR continues to fuel investment in this industry, and reinforces the need for systems integrators and security dealers to continually build RMR."

Reaction from the industry has begun to roll in. J. Matthew Ladd, president of The Protection Bureau in Exton, Pa., a leading regional security systems providers, views the deal as a "wise" move for both players but believes Brink's workers may pay the price.

"For the industry, it does bring the consolidation to an even higher level; they will have the ability to be a major factor on recurring rates, which they will be able to increase," Ladd tells SSI. "It will be toughest on the Brink's employees, many of which will lose their jobs or at least see a cut in wages. When two companies their sizes combine, duplication in personnel is not good for the company being purchased."

"I think it's too early to tell what impact it will have on the industry," Protection One President and CEO Richard Ginsburg tells SSI. "I think both ADT and Brink's are well run companies and ultimately it should be a positive [in the industry]. It shows that these companies do trade from

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time to time at pretty high values."

According to Electronic Security Association (ESA) President Mike Miller, ADT and Broadview have both been great leaders in the industry for ESA (formerly the NBFAA) and its sister associations the Central Station Alarm Association (CSAA), Security Industry Association (SIA) and Canadian Security Association (CANASA).

"I was surprised by the announcement that ADT was purchasing Broadview," says Miller. "No. 1 purchasing No. 2 or No. 3 is huge – and I didn't see it coming."

Excluding transaction and integration-related expenses, Tyco expects the transaction to become accretive to earnings before special items by approximately 7 cents in the first full year after closing, increasing to approximately 14 cents in year two. The combination is expected to result in operating synergies of approximately \$150 million.

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