

## Total Integrated Security Solution Blending Technology and People



Steve Jones - CEO

**CEOCFO:** *Mr. Jones, congratulations are in order; Universal Services turned 50 this year. Would you tell us more about this significant milestone?*

**Mr. Jones:** What is neat about it is that many of our employees have been around for a long time and, in some cases, were part of the original founders' startup operation, including my business partner as well as myself. In the year 2000, we struck a deal to buy the company from our partners in a very organized and well-thought-out management buyout. It is exciting to see that individuals, who feel like family members, have carried on the vision that the original founders had. The transition was orderly and about putting the business first. We made sure that the business and the clients as well as employees would be able to continue, thrive and succeed in the future. It is exciting to see the results of what we built over the last 50 years and where we continue to go.

**CEOCFO:** *You have created 14,000 jobs from 2012 to 2014 and about 20% went to veterans. Is that something new for the company or has that been a long tradition?*

**Mr. Jones:** In 1996 when I started, we had around 400 employees and today we are at about 50,000—that's a pretty big increase over the last 18 years. We always hired veterans and part of the reason is that many of the veterans come out of the military and go into security as a natural transition. We spent the last four or five years focusing on that area with our recruiting team. I think it is paying off and we get very well disciplined and qualified employees as a result, so it is a win-win.

**CEOCFO:** *What does the company understand about security that maybe others do not?*

**Mr. Jones:** What is different is that we have been pushing integrated security services for the last 10-plus years. When we say integrated security services, we mean blending technology and people together to provide the highest level of security for our customers. By doing that, we are not just people focused. Most of our competitors only provide guard services, so their solution may only be to just throw more people at an issue. Our solutions include not just adding more people, but considering physical security options. We ask things like, "Can we use a camera, a new access control system or alarm system?" We then tie in some people if it makes sense. We take a holistic approach to security and we work with our customers to help them identify the absolute best program for them in terms of providing a level of security they are looking for and also in financial terms from an economics perspective. If I had to nail it down, that is probably the biggest difference between us and our competitors—our focus and belief in both electronic security and man guarding security complementing each other. When done right the customer is the beneficiary of that success.

**CEOCFO:** *Do new customers come because they are aware of the depth of your offering or is it more that they are surprised?*

**Mr. Jones:** I think our customers stay with us because of the depth of services, resources and levels of expertise that we keep continuing to bring to the market. We strive daily to reinvent ourselves. Every year we ask ourselves how to get better and how to do things differently. You have to stay fresh and you have to continue to be unique. It is a copycat world and as we do something well, our competitors will strive to copy us. I think our customers appreciate these differentiators and it's why we have a 95% client retention rate, which is unheard of in the security industry. I also believe that is what attracts new customers; they hear about our reputation and when they give us an opportunity to meet with them and present our story, they say "let us give Universal a shot."

**CEOCFO:** *I understand there have been a number of acquisitions over the last year. What is the strategy?*

**Mr. Jones:** It is a multidimensional strategy in that if you look at last year and consider the historical perspective, to date we have added about 40 different companies to our organization. Those equate to about 50% of our revenue. We are at \$1.4 billion in revenue right now. About \$700 million has come through acquisitions and the same amount has happened organically. We think it is a nice blend and not just a company that is a combination of many acquisitions. At the same

time, we have found some good companies and good people. Last year we purchased a great company in the electronic security systems space in San Diego, Calif. We also acquired companies throughout the U.S. that fit some geographic areas where we lacked scale and needed a presence in order to better serve our customers. We added some companies for what we call strategic tuck-ins where we just added scale in a market that we were already strong in. We are always looking for companies that give us strength in a specific vertical. Recently, we acquired a very large retail security services company that went on top of a business that we acquired the year before—which was in the exact same space. That was very strategic because security is always going to be needed in that vertical. What made sense about it is that now we are the single largest security guard service provider in the retail security services space across the country. We bring a level of expertise and resources that is truly undeniable and unmatched by our competitors. We are now the market leader.

**"We still operate like a small company because we are on the front lines working with our customers day in and day out. We offer our customers more than just manned guard services. We are able to be a true security resource by operating as their security department, or total solution, instead of just one aspect of the security business." - Steve Jones**

**CEOCFO: *Security guards are not always looked at as the professionals that I am expecting you have; how do you find and incentivize the right people and why are your people a cut above?***

**Mr. Jones:** First, it starts by recruiting out in the field. We have regional recruiters all across the country where most of our competitors just wait for people to apply. Instead, we are out proactively recruiting the type of individuals that we want to join Universal. We talked earlier about veterans being the types of candidates that we try to put an emphasis on as well as other types of people that have an interest in law enforcement and retirees from other companies where they had successful careers doing other things. We are out identifying the types of candidates we want to put through a rigorous review process, which includes a 117-question online test that they go through even before they can be interviewed. We want to make sure we spend the time interviewing candidates that meet a standard that we preset. The test was created by a top industrial psychologist. We tested 300 of our top employees to get the benchmark of what we are seeking. We match everyone against that. After we have identified the right people, we spend a tremendous amount of time and money training those individuals on what it takes to work for Universal, including the expectations of the company and our customers. Every day we have security officers that may make mistakes; we have 50,000 employees spread across 49 states including Puerto Rico and the U.S. Virgin Islands. That is a significant footprint. It can leave you vulnerable. Therefore, we learn how to recover from the mistakes and try to prevent them from happening again. We strive to ensure that they have not in some way hurt the brand because one person could make the other 49,999 of us look bad and that is the disappointing thing. For the most part, we are proud of what the men and women who represent Universal do every day. They are the unsung heroes out there. Every day we are saving lives and keeping facilities safe. We are the eyes, ears and first responders for law enforcement and emergency personnel. We play such a big role that in many cases some people do not receive the recognition they should.

**CEOCFO: *What is the key as CEO to not being overwhelmed by a 50,000-employee operation?***

**Mr. Jones:** It is about having great people and I think I am fortunate to have a group of strong regional presidents who lead business segments across the country. The outstanding job they do helps me tremendously. Underneath them is a group of management leaders that also supports them. They are absolutely the best in the industry. My work/life balance is probably not the greatest, since it's tilted heavily towards work. But my philosophy is I believe in being hands-on. Having the opportunity to know our customers across the country and interact with employees and managers as well as the leadership team, helps me stay grounded in what we can and cannot do. In many cases, CEOs get in the position in a large organization where they are uninvolved and it is more of a financial equation. But they do not know exactly how the business works. I think the difference is that I truly understand our business. This is important to help determine direction and strategy to achieve company goals.

**CEOCFO: *Would you tell us more about your diverse services?***

**Mr. Jones:** We have a strong regional janitorial firm that is based in California and Arizona. Once we got out of the janitorial business in the late '80s, we never set out to get back in. Our customers asked us to return. They felt that we were doing such a good job on the security side and trusted us to provide that same level of service on the janitorial side. So we did that and we built a nice business. We have an electronic security systems and remote video monitoring business that is across the country and that is a business that we are investing heavily in and it is growing rapidly; we think it is the future of security.

**CEOCFO: *What might be different a year from now for Universal?***

**Mr. Jones:** A year from now we will probably have added another 5,000 to 10,000 employees. We will continue to expand our presence across the U.S. We have already doubled the size of our company in Puerto Rico this year alone. We are

looking for a couple of attractive acquisitions that will help expand us into some new cities that we are not in right now. Next year's Universal will look a lot like the company of today, with a bigger and deeper presence and maybe an additional service or two.

**CEOCFO: *What is the key to keeping up with the changing technology?***

**Mr. Jones:** We have a savvy president that runs that division. He goes to all the latest technology shows and watches trends. We get pitched new technology all the time to consider. You have to look at what's tried and true and what is being developed in the future. You have to be careful because you can fall in love with something that a market is not ready for and you can hurt yourself financially that way. At the same time, you can stay with a technology that is working now and not keep up to speed on the changes and then fall behind. It is a delicate balance of understanding where the customers want to see technology go, where the market is going and where the current product type is today. You have to continue to look at everything and make sure you are making the right decisions.

**CEOCFO: *Are there common areas where you feel customers do not pay enough attention with security?***

**Mr. Jones:** One of the challenges in the security industry across the country is that the economy has changed dramatically. The unemployment rate has gone down compared to where it was five years ago. However, if you look across all industries, overall wage growth has been relatively slow. The same thing is happening in the security industry. I think we are at a point in time when wages are going to start to grow, enabling the industry to professionalize and improve the quality and the level of the labor pool. The use of hand-held technology, such as smartphones and tablets, by security professionals will increase. Therefore, the security officer of the future will need to be more skilled to be able to use technology on the job. We hope businesses and education systems will recognize these shifts and help do their part to facilitate change in a workforce that keeps pace.

**CEOCFO: *Why is Universal Services of America noteworthy?***

**Mr. Jones:** There is no other company out there that has the level of customer service and high-touch client services approach that we have coupled with integrated security services. We think we are in a unique position. We are a big company with vast resources and a tremendous amount of density across the U.S., Puerto Rico and U.S. Virgin Islands. We still operate like a small company because we are on the front lines working with our customers day in and day out. We offer our customers more than just manned guard services. We are able to be a true security resource by operating as their security department, or total solution, instead of just one aspect of the security business.

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