

Konsalnet – leader in consolidation within the security industry in Poland

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Konsalnet looking towards a healthy growth in 2010

Konsalnet S.A., the second largest security company in Poland, in which private equity fund SG AM Alternative Investments holds an 80% stake, achieved its aims for 2009. It ended the year with more than PLN 500 million in expected income and an 11% increase in sales. The company is working actively to consolidate the market, and is introducing new services to secure its leadership position on the security market in Poland. Konsalnet management sees their last year's achievements as an enormous success particularly in the light of the economic slowdown and their internal restructuring brought about by completing the first stage of consolidation with another leading security company Skorpion Security. SGAM Eastern Europe Fund is a majority shareholder in both companies.

According to Jacek Pogonowski, a partner at SGAM Eastern Europe Fund, the consolidation of Konsalnet and Skorpion was the biggest transaction of its type on the Polish security market and in Central Europe. After the merger with Skorpion, Konsalnet developed its services. It is to include the provision of security services to both businesses and individual clients with such services as monitoring of houses. The company is increasing its client base in key areas, particularly in services for banks and shopping centre and retail chains. The company also provides cash handling services and currently has eight out of ten largest banks as its clients. It has increased its business share in providing security to public buildings and institutions, such as hospitals, schools, museums, military units and public transport. Internally, the company has set up a system of business production units, where the branch companies are grouped according to their particular expertise, each being responsible for different services, such as close security, cash handling and monitoring.

"Konsalnet aimed to have a smooth and efficient internal integration of both companies. It was no easy feat to achieve, as concentration on internal matters

could have led to loss of business and clients, but we have been successful," said Adam Pawowicz, president of Konsalnet S.A. He added that the company has also simplified its management structure for all smaller firms within the group, integrated IT and reporting systems and started a rebranding process. The company has designed a new logo, webpage and has ensured that the various subsidiaries are all identified as the one company with unified building and vehicle signage.

Adam Pawłowicz said that Konsalnet is looking to grow both organically and by acquisition. This would be achieved through outbidding in public tender in-house security units of state-owned enterprises, or buying out the security units outright. Konsalnet also wants to specialise in mass events and sporting events in preparation for EURO 2012.

The company is currently negotiating the takeover of security services of two firms in different regions of Poland. Poland is a unique market in that its security market leaders are local companies, unlike in other parts of Europe.

Additionally, Konsalnet plans to expand beyond Poland, predominately into markets of the former Soviet bloc, and buying strong local security firms there. Jacek Pogonowski said that although it isn't the same market as a year and a half or two years ago, it is easier to get acquisition financing in Poland for medium-sized deals compared with Western Europe or the rest of the region.

Konsalnet is planning a speedy growth through acquisitions of smaller firms and by winning tenders in the anticipated continuation of the trend for public institutions to outsource security services. Despite expecting 2010 to be a difficult year, especially noting that there has been a reduction in the charges for security services by local and particularly by foreign security companies, Konsalnet is aiming for a record year.

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