STANLEY
Security

2020

INDUSTRY TRENDS REPORT

Defining the challenges, opportunities and trends that may impact security consumers in 2020

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This document contains forward-looking statements. All statements other than statements of historical fact are forward-looking statements. Forward-looking statements may include, among other, the words “may,” “will,” “estimate,” “intend,” “continue,” “believe,” “expect,” “anticipate” or any other similar words.

Although the Company believes that the expectations reflected in any of its forward-looking statements are reasonable, actual results could differ materially from those projected or assumed in any of its forward-looking statements.

Executive Summary

We're entering a new era of security in 2020 – one that is defined by change, disruption and innovation.

With the explosion of Internet of Things (IoT) devices and the resulting Big Data, businesses can now do more than ever before with their security solutions. New technologies, combined with cloud capabilities, are providing opportunities for businesses to gain operational efficiencies, drive ROI and start solving problems in ways they never thought were possible.

At the same time, we've seen the convergence of security and information technology (IT), which has transformed business' expectations for security solutions and led to a greater emphasis on cybersecurity and cyber hygiene of IoT devices.

The rapid advancement in IoT technology and the ever-changing landscape of cyber threats brings the security industry squarely into the middle of the fight to not only protect lives and property, but also the solutions designed to provide that protection. In 2020 and beyond, security technology providers must become expert cybersecurity practitioners or risk becoming the source of a security breech, themselves.

Additionally, the rapidly aging workforce in the security industry – coupled with the a nearly full employment economy and a lack of new technicians trained to install and service modern technology – are among the forces driving the disruption in the industry. When you add in the introduction of new stakeholders to the conversation and the fragmentation of security budgets, this becomes a much more complex equation to solve.

Another fundamental challenge exists: Across the globe, a sizable percentage of customers are passive about their security providers. Businesses are failing to approach security as a holistic solution – one that aligns with cybersecurity policies and integrates with other business processes – and are becoming more vulnerable to attacks from increasingly sophisticated cyber criminals.

As a result, we'll see several trends emerge in 2020 to streamline security processes and protect businesses against security risks. New service models, cloud technology, network security, machine learning and more will drive greater efficiencies, improve the customer experience and build stronger partnerships between businesses and their security providers.

Disruption is the new norm, but businesses that embrace these changes, take advantage of new security innovations and partner with their security providers will be best positioned for success in 2020 and beyond.

by Matthew Kushner, *President of STANLEY Security*

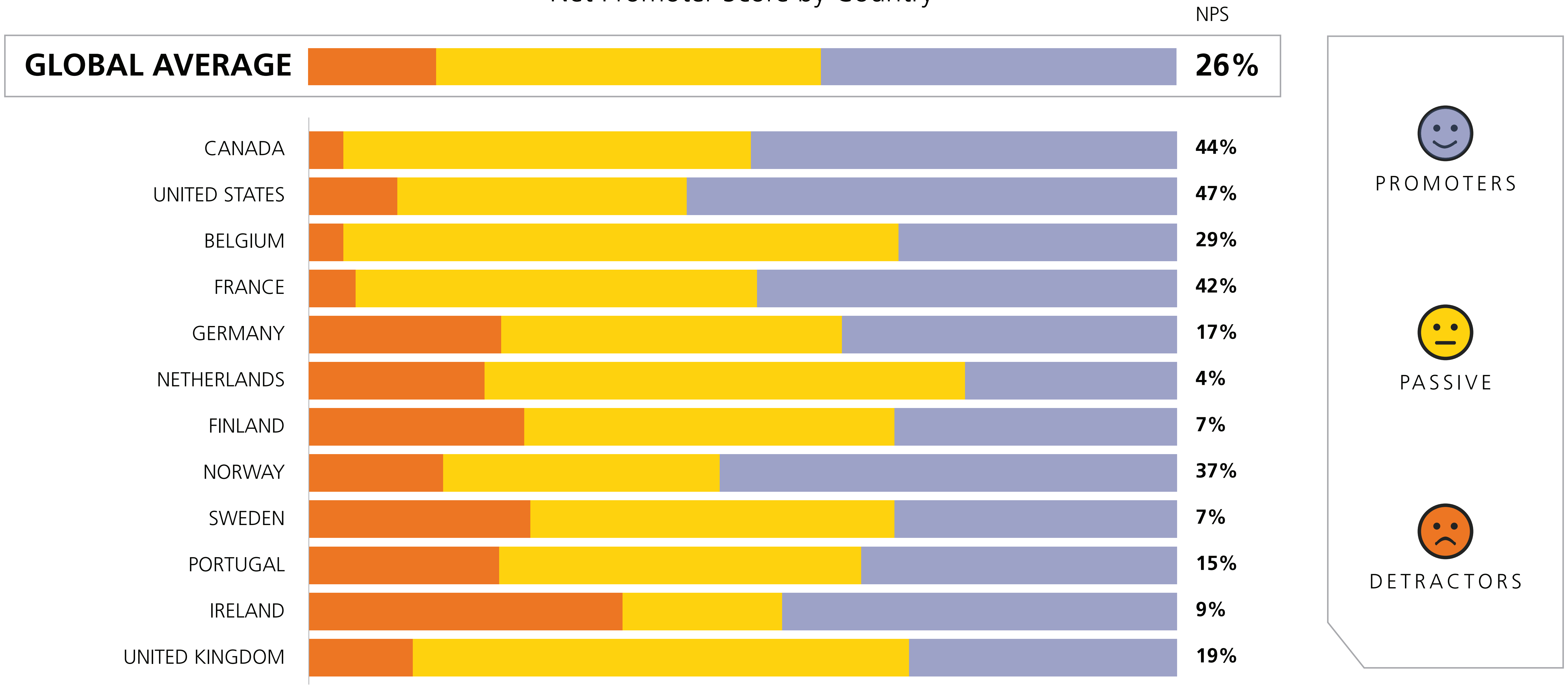
Market Insights

Highlighting the demand, expectations and pain points of security consumers across the globe

Market Insights: Global Survey Data

STANLEY Security asked security decision-makers in North America and Europe how likely they are to recommend their current security provider to a friend or colleague. This determines the Net Promoter Score (NPS), a metric used to capture consumers' overall satisfaction and perception of a brand.

Net Promoter Score by Country



Source: STANLEY Security 2019 Global Security Survey. This chart includes survey data from 480 enterprise consumers - defined as those with more than 250 employees - spanning 12 countries across North America and Europe.
NPS is calculated by subtracting the percentage of Detractors from the percentage of Promoters.

Market Insights: Global Survey Data

The top five pain points for businesses – which security decision-makers ranked as high importance but low satisfaction – include:

1. Value for money
2. Overall reliability
3. Overall customer service
4. Quality of products and services
5. Having a security provider that understands my business and security needs

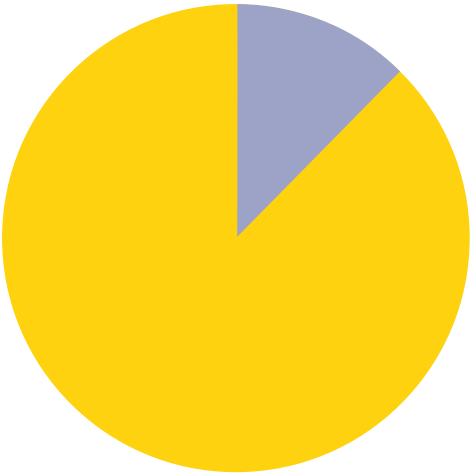
When choosing a security provider, security decision-makers place the highest value on the following:

1. Response time
2. Customer service
3. Repair services
4. Accreditation and certifications
5. Ease of reporting

Source: STANLEY Security 2019 Global Security Survey. This information is based on survey data from 827 security decision-makers across North America and Europe.

Market Insights: Industry Snapshot

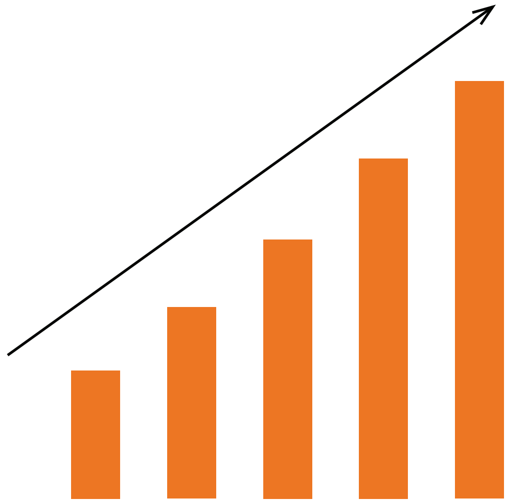
More businesses are seeking alarm verification solutions



15% of traditional alarm systems are audio- or video-verified

False alarms can greatly impact a business' bottom line through hard costs of false alarm fees and soft costs of wasted labor. Audio and video verification technologies help reduce false alarms and the associated costs.

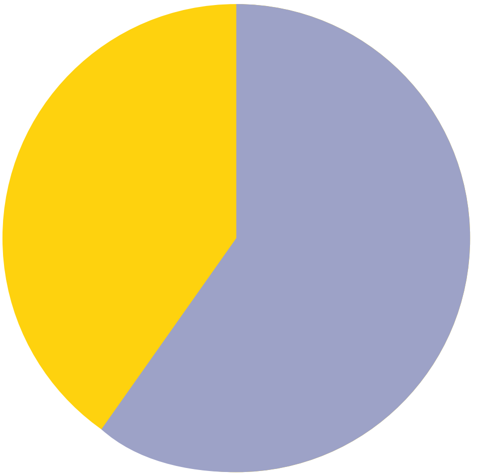
Alarm activity is increasing over time



12% increase in alarm events from 2016-2019 among retail customers with more than 100 store locations

It's becoming increasingly complicated for large retailers to make sense of alarm events and understand root causes. As a result, more security solutions are emerging to help businesses process this alarm activity.

More businesses are asking for open/close reports



61% of national accounts subscribe to PIN management services

Businesses are becoming increasingly concerned about the accuracy and integrity of passcodes within their security operations and are asking their service providers to help identify employee interactions with their alarm systems.

Source: STANLEY Security monitoring data of 400,000+ customers and data from 62,000+ national account locations.

2020 Trends

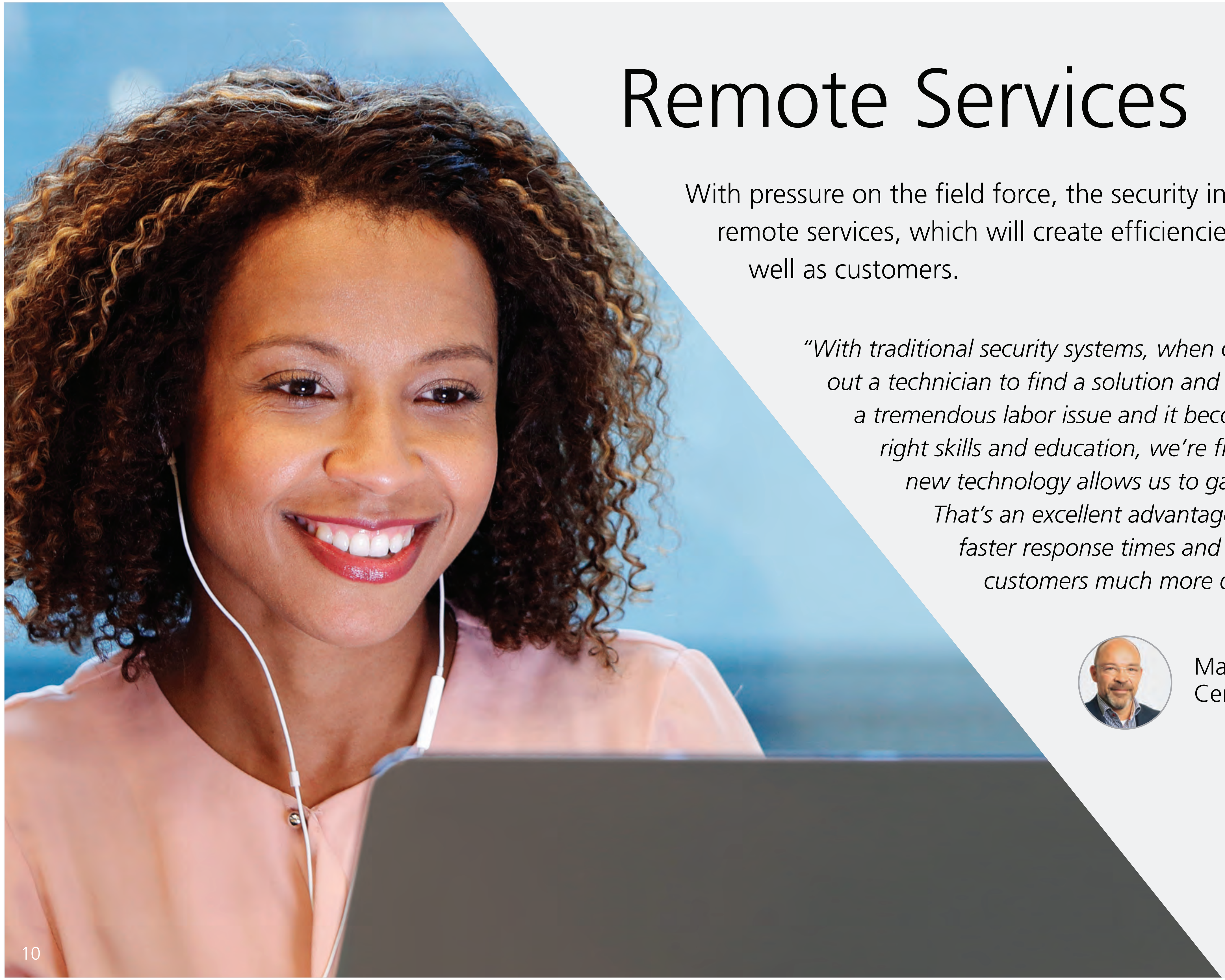
Forecasting the industry trends that global security leaders expect may impact consumers in 2020

Security as a Service

As security teams become more fragmented and threats become more advanced, consumers will begin outsourcing the management of their security programs through this subscription service model.

"In 2020, we'll see more security providers offering service models that alleviate business' burden of hiring, training and certifying their own personnel. The security-as-a-service model helps businesses focus on what they do best, while allowing a security provider to take over managing the administrative and maintenance components of their security program. This model can leverage technologies and services such as cloud computing, staff on-demand and equipment financing to deliver a comprehensive set of security benefits, without a business needing to make an upfront investment in products, staff and training. We're continuing to drive toward more managed services, and we'll see more customers seeking this service in the coming years."

Brad Konkle, Director of Integrated Solutions



Remote Services

With pressure on the field force, the security industry is turning toward remote services, which will create efficiencies for both security providers as well as customers.

"With traditional security systems, when customers have problems, security providers send out a technician to find a solution and fix the problem. As the industry grapples with a tremendous labor issue and it becomes more difficult to find technicians with the right skills and education, we're finding other ways to provide these services. Now, new technology allows us to gain access and remotely serve our customers. That's an excellent advantage for customers, because it provides ease of use, faster response times and reduced costs and hassle. We can remotely serve customers much more quickly and efficiently."

Marc Deelen, Regional General Manager, Central Europe

Cloud Technology

In 2020, there will be more cloud offerings in the security industry and increased adoption of this technology.

"Cloud technology within the security industry is expanding exponentially and provides the opportunity for a new approach to the deployment and service of security solutions. The ability to aggregate data from and about the deployed solutions allows security providers to better see a more holistic view of potential issues, threats and trends within the security ecosystem. Real-time data about system performance across the enterprise can enable a proactive approach to not only systems maintenance but also coordinated responses to common security threats. Adoption of cloud technology in the security environment also enhances the ability for the service provider to be more agile by allowing quick changes in configurations and deployments and lowering the costs of moves, adds and changes within the deployed solution. Most importantly, implementation of a cloud-connected security solution offers the potential to aggregate business intelligence data, as well, thereby offsetting the cost of deploying the solution with rapid ROI from improvements in loss prevention, risk mitigation and business processes."

Ryan P. Schroeder, Global Vice President of Monitoring

Big Data

More security consumers will seek ways to harness Big Data to drive operational efficiencies, solve business problems, increase commercial growth opportunities and improve customer satisfaction.

"With the rapid advancement of security, transaction and tracking technologies and their extensive capabilities, progressive businesses have recognized the limitless opportunities available to harness crucial data with the potential to enhance the overall customer experience. Consumers are increasingly moving toward Big Data-based systems for their own use and are expecting the same from their security providers. In the coming year, the importance of Big Data will continue to grow in the industry, and more customers will seek ways to harness this data to drive business decisions."

Moiz Neemuchwala, Innovation Leader

Network Security

Network security and cybersecurity will continue to top the list of trends impacting consumers in the security industry.

"In 2020 we will continue to see a focus on cybersecurity as organizations work to eliminate vulnerabilities and mitigate risks within their environments. Cyber attacks and data breaches are daily threats, and companies are doing more assessments and audits as well as developing plans and processes to detect and respond to attacks. This includes hiring cybersecurity engineers and purchasing network security products and services at levels not seen before."

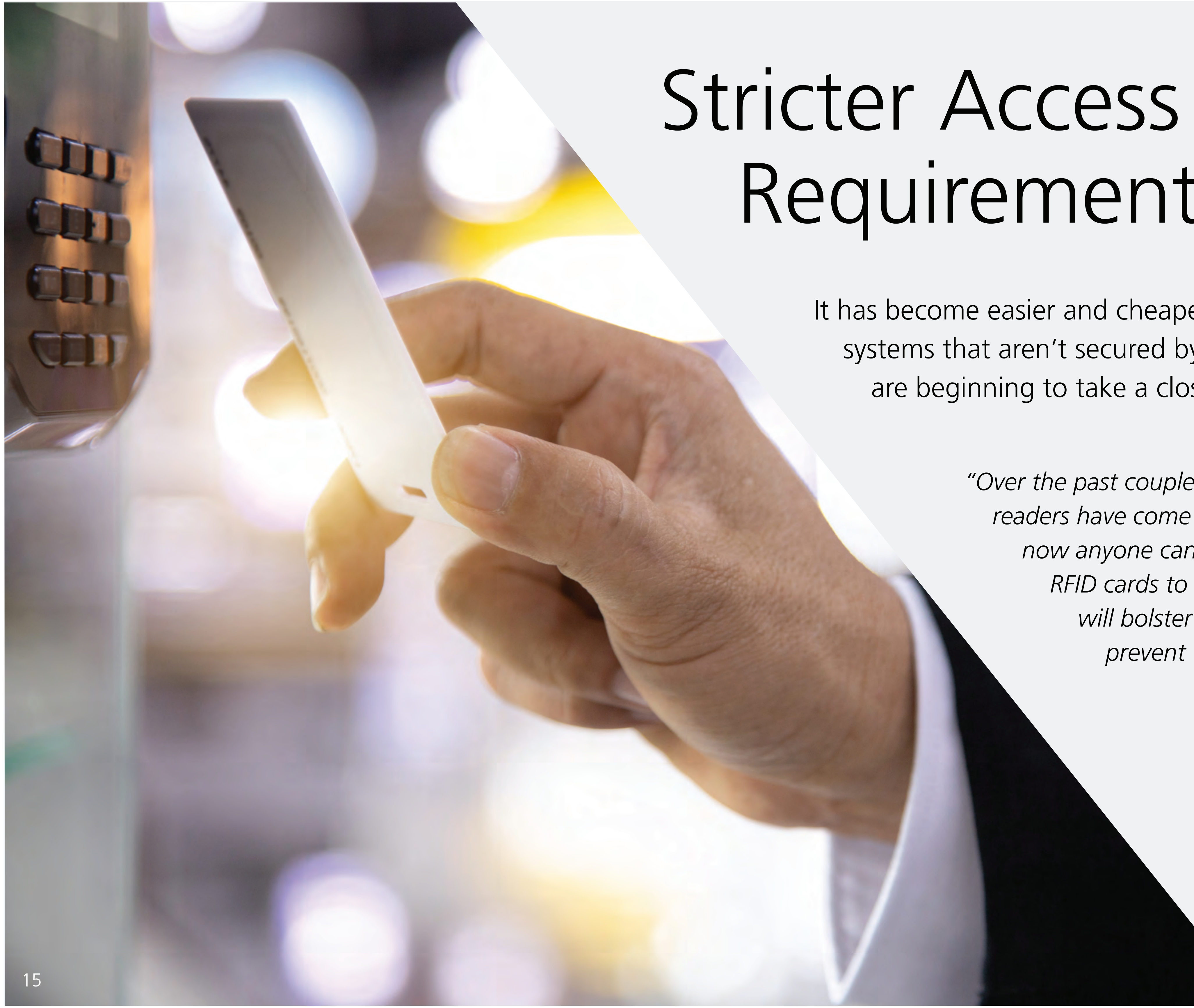
Andrew Gibson, Sales Deployment Engineer

Machine Learning

Traditional security solutions will continue to become more sophisticated and efficient through machine learning.

"We'll see more emphasis on machine learning over the course of the next 12-18 months. Security systems become even more powerful when combined with machine learning, and we'll see more providers leveraging this technology to augment their traditional security systems and develop new solutions that drive greater efficiencies, solve unique problems, drive ROI and improve the customer experience."

Matthew Kushner, President



Stricter Access Control Requirements

It has become easier and cheaper than ever before to defeat access control systems that aren’t secured by edge-to-edge encryption, and businesses are beginning to take a closer look at the security of these devices.

“Over the past couple of years, the issues around access control and card readers have come to light. With advancements in modern technology, now anyone can buy a card duplicator online and clone unencrypted RFID cards to access a building. To keep operations safe, businesses will bolster encryption measures within access control systems to prevent these threats in 2020.”

Brad Konkle, Director of Integrated Solutions

Monitoring Automation

Security providers are looking for ways to leverage automation to provide more efficient and robust customer service.

"One of the most pressing needs in the security industry is deploying automation within our monitoring centers. Security companies are wrestling with how to leverage automation to serve customers, meet and exceed their expectations and deliver services at lower prices. As technology matures, the adoption of automation used to serve customers is accelerating. We'll see even more progress on this front in 2020."

Steve Walker, Vice President of Monitoring Operations - U.S.

Customer Experience Transformation

As security threats evolve, it's becoming increasingly important for businesses to partner with their security providers, but for that to happen, the customer experience must change.

"Security threats are evolving, but the relationship between most security providers and their customers has not. The industry is now beginning to recognize that a fundamental change is needed in the way we engage customers. As a result, security providers are developing new streamlined processes and solutions to improve the customer experience, anticipate their needs and serve the customer holistically. In 2020, we'll see new technologies that will help build improved relationships between security providers and customers."

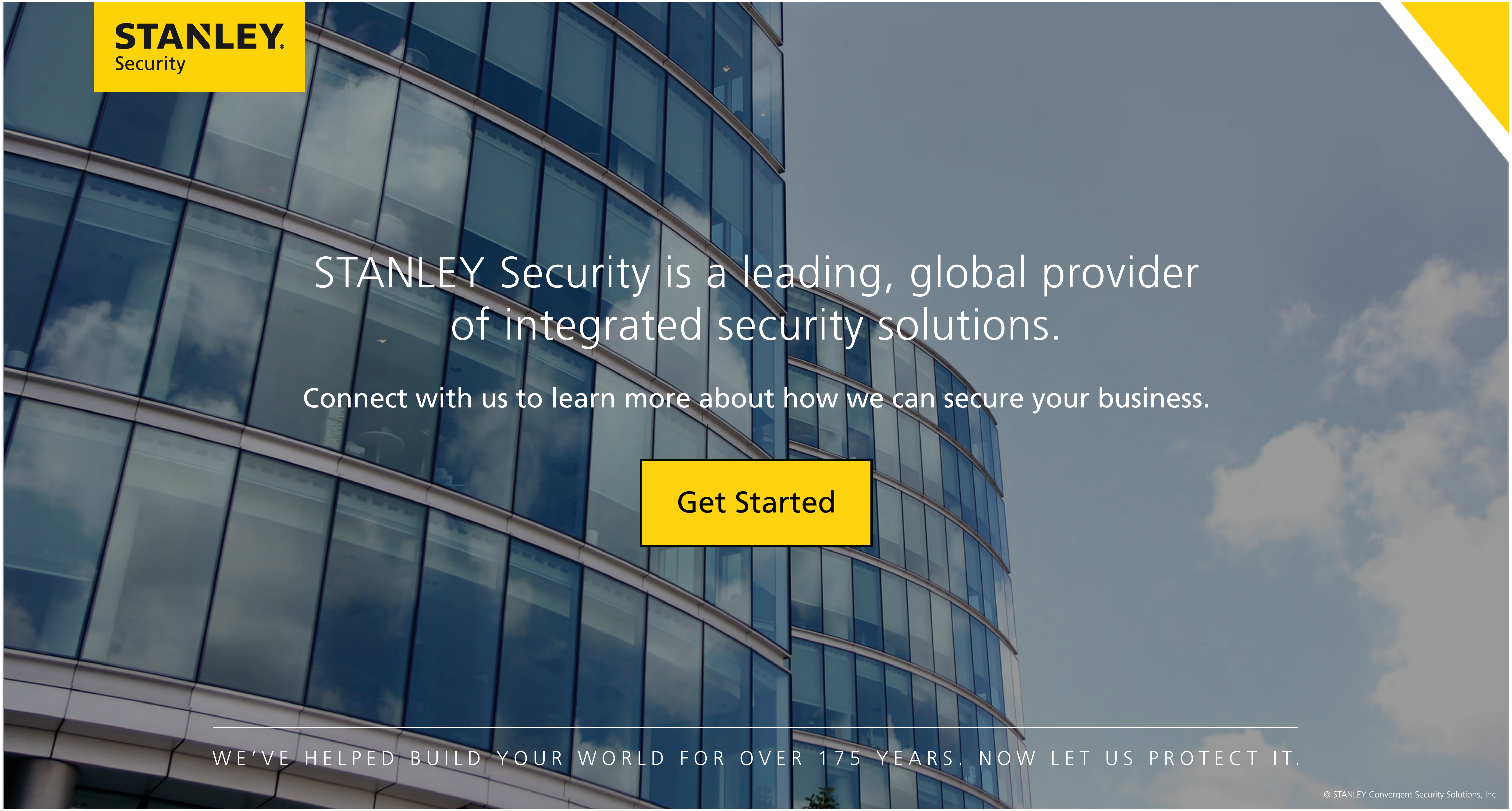
John Skowronski, President of Sales and Operations - North America

Programmatic Evolution

In this new era, we'll begin to see businesses change the way they view security, approaching it as a critical part of their overall organizational strategy.

"Security has become a significant component of organizations' strategic plans. The convergence of IT and physical security has made the industry a much more progressive and predictive space, as opposed to the reactive, forensic nature of it just 5-10 years ago. Now more than ever, it's easier for security providers to directly attribute value to the security function in an organization. As a result, we'll see more businesses begin to treat security as a holistic strategy that provides added value beyond protecting their people, property and assets."

Kyle Gordon, Vice President of U.S. Field Sales



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