

GTCR to buy Protection One in \$828M deal

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The members of private equity firm GTCR, from left to right: Collin Roche, Philip Canfield and David Donnini, on December 15, 2009. (Terrence Antonio James/Chicago Tribune.)

By Becky Yerak | GTCR, one of Chicago's biggest private equity firms, plans to buy publicly traded Protection One for \$828 million in another sign that the credit markets for buyout firms continue to thaw.

It also means that GTCR, which as of late 2009 had only about 60 percent of its \$2.75 billion ninth fund committed, will have to hit the fundraising market soon. The firm also recently announced two smaller deals.

The deal's \$300 million in equity financing is the largest ever by GTCR, whose previous record was about \$200 million for a wireless services provider about a decade ago. The senior debt financing for the deal was led by J.P. Morgan, with Barclays also participating.

"As the financing market opened up in the fall, winter and spring, our activity level picked up," GTCR principal David Donnini said. "There's no question that the availability of financing has helped new investment activity."

GTCR will offer \$15.50 a share for Lawrence, Kan.-based Protection One, the nation's third-biggest provider of electronic security systems for homes and businesses.

Protection One closed Friday at \$13.76 a share.

Its two largest shareholders are Quadrangle Capital Partners and Monarch Alternative Capital LP, which hold 70 percent of the currently outstanding shares. They've agreed to the deal.

Quadrangle is the investment firm founded by former Obama administration car czar Steven Rattner.

GTCR's planned purchase of Protection marks its third collaboration with security industry expert Tim Whall, who previously partnered with GTCR on investments in Cambridge Protection Industries and Honeywell Security Monitoring.

Cambridge, operating through its SecurityLink brand, provided electronic security services to more than a million customers. Cambridge was sold to ADT for about \$1 billion in cash in 2001. HSM, a leading provider of security services to the commercial market, was sold for \$545 million in cash in 2007.

Whall, previously CEO of HSM and COO of Cambridge, will serve as Protection's CEO.

"Our successful track record working with Tim has been instrumental in our acquisition of Protection One," Donnini said. "The search for finding the right company with Tim has been two years in the making."

GTCR, which raised its ninth fund in 2006, plans to make Protection One a bigger force in the commercial market.

Founded in 1980, GTCR has invested more than \$8 billion in over 200 companies.