



ASX ANNOUNCEMENT

5 January 2017

Threat Protect secures option to acquire two major security monitoring businesses in NSW and QLD

Highlights

- Threat Protect continues to deliver on its acquisition growth strategy securing an option to acquire Apollo Security Pty Ltd's Grade One Security (NSW) and Queensland Security Rangers (Qld) for approximately \$6.0 million.
- Apollo's control room in Sydney services residential and commercial clients in New South Wales and Queensland, with anticipated annual recurring security monitoring revenue of \$3.2 million.
- Acquisition would expect to generate over 100% increase on Threat Protect's FY 2016 total security monitoring revenue and be immediately earnings per share accretive.
- Purchase price to be completed in 2 tranches - comprising \$3.7 million cash on completion after exercise of option, with the remaining balance settled 12 months later.
- The option expires on March 31 2017, with an option fee of \$150,000 to be offset against the acquisition price in the event of exercising the option.
- The proposed acquisition will be fully funded by Threat Protect's new acquisition Convertible Note funding facility with First Samuel announced in November.

Threat Protect Australia Limited ("**Threat Protect**" or the "**Company**") (ASX:"**TPS**") is pleased to announce the next phase of its growth strategy having entered into an option agreement to acquire Apollo Security Pty Ltd ("**Apollo**"), a Sydney based security services business for approximately \$6.0 million (the "**Acquisition**").

Apollo was established in 2007 by the current principals and has grown to be a major privately owned security monitoring services provider on the Eastern seaboard. The business operates a control room in Sydney and provides monitored security services to both residential and commercial clients in New South Wales and in Queensland.

The Acquisition would grow Threat Protect's national presence adding anticipated recurring annual revenue of \$3.2 million across approximately 250 resellers nationwide, servicing over 16,000 monitoring connections. The anticipated revenue from the Apollo business would more than double the Company's total monitoring revenue invoiced in FY 2016 of \$2.84 million.

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The agreed acquisition price is to be paid in two tranches comprising \$3.7 million in cash payable on completion of the Acquisition, with the balance to be paid 12 months post completion subject to a “true-up” of the Acquisition purchase price. The Company expects the Acquisition to be immediately earnings per share accretive, and to positively contribute to Threat Protect’s 2H 2017 revenue and earnings.

The option expires on 31 March 2017 and may be exercised at the sole discretion of Threat Protect subject to satisfactory due diligence. An option fee of \$150,000 is payable, to be offset against the purchase price in the event the Company exercises the option.

The proposed Acquisition will be fully funded by the Company’s acquisition funding facility with First Samuel announced in November. Approval for conversion of the Convertible Notes for the purposes of Listing Rule 7.1 (if required) will be sought from shareholders in the Extraordinary General Meeting to be convened, and will be advised to the market once documentation has been prepared.

Strategic Rationale

The Acquisition is a key step in the continued execution of the Threat Protect’s acquisition growth strategy, and represents the Company’s largest acquisition outside of Western Australia to date. Key transaction rationale includes:

- Control room in Sydney significantly expands Threat Protect’s existing monitoring capacity in Western Australia and provides redundancy across time zones and geographic locations (Western Australia and New South Wales)
- The Acquisition allows the Company to build upon its earlier acquisition of Integral Risk Group in New South Wales and provides critical mass to Threat Protect’s East Coast operations
- Existing control room capacity in Sydney (and Perth) with largely fixed cost base, thereby readily scalable to add new customers, grow revenue and increase margin for earnings uplift
- Potential for significant service improvements and cost reductions through combined operations in New South Wales
- The Acquisition further diversifies the Company’s monitoring client base across Australia
- The Acquisition will be immediately earnings per share accretive for Threat Protect

Following the Acquisition, Threat Protect would have annual pro-forma revenue of over \$10.0 million, control rooms on both the West and East Coast of Australia, a base of over 400 resellers, and significant funding capacity remaining to continue its acquisition growth strategy.

Commenting on the potential Acquisition, Threat Protect’s Managing Director Demetrios Pynes said: “Apollo offers an important addition to Threat Protect’s business as we continue to deliver on our acquisition growth strategy.

“The business would enable us to capitalise on our previous expansion into NSW providing a control room presence in Sydney and bolting on significant new monitoring revenue streams. Furthermore, the Acquisition offers cost and diversification benefits, and positions us to continue with our acquisition plans.”

Acquisition growth strategy

The Australian security industry is highly fragmented with around 6,500 businesses nationally generating approximately \$6.3 billion revenue in 2014. Alarm monitoring represents around 16% of this and is Threat Protect's primary focus.

The Company believes the industry is conducive to consolidation, given its stable revenue streams and fixed infrastructure cost model. Threat Protect's acquisition growth strategy is focused on leveraging the largely fixed cost infrastructure and significant capacity of its existing extensive security control room through acquisition of monitored security client bases across Australia.

Threat Protect has completed 6 acquisitions since listing on the ASX and is in the process of conducting due diligence on several other opportunities. The recent new funding package established with first Samuel Limited significantly increases the Company's acquisition capability and positions it well to progress the execution of its growth strategy.

Transaction Terms

Key terms of the transaction include:

Transaction structure:	<ul style="list-style-type: none">Option to acquire the business assets of Apollo Security Pty Ltd
Option price and terms:	<ul style="list-style-type: none">Call option, exercisable before 31 March 2017 at Threat Protect's discretionOption fee of \$150,000Fee to be offset against the purchase price on exercise of the option
Purchase price:	<ul style="list-style-type: none">Total purchase price of approximately \$6.0 million\$3.7 million cash payable on completion after exercise of the purchase optionBalance payable 12 months post completion subject to "true-up" of purchase price
Expected completion:	<ul style="list-style-type: none">Exercise of the option prior to 31 March 2017, subject to satisfactory completion of due diligenceTransaction completion expected in the weeks following option exercise, subject to conditions precedent
Conditions precedent:	<ul style="list-style-type: none">Completion of due diligence by Threat ProtectExecution of legal documentation
Member approval	<ul style="list-style-type: none">The transaction is subject to member approval pursuant to Listing Rule 11.1.2.

Funding:	<ul style="list-style-type: none"> Fully funded via Threat Protect's acquisition funding facility with First Samuel Limited, conversion of which will be subject to shareholder approval required by the ASX Listing Rules
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Compliance with Listing Rule 11.1.2

Listing Rule 11.1.2 compliance involves a significant change to an entity's activities.

There may be a change of scale of the Company's activities when taken in aggregate with the transactions as previously announced to the market.

Based on Threat Protect FY 2016 audited statutory accounts, the changes as a result of the Acquisition in measures as defined in the ASX Listing Rules:

Particulars	TPS Audited YE 2016	Full Effect of Apollo Transaction	Post Transaction Analysis - Pro forma	Percentage Change due to Transaction
Total Consolidated Assets	6,822,479	6,000,000	12,822,479	47%
Total Equity	1,124,723	-	1,124,723	0%
Annual Revenue	7,403,831	3,200,000	10,603,831	30%
Annual Profit (before tax and extraordinary items)	(1,486,382)	1,280,000	(206,382)	620%
Total No. of shares	771,898,331	-	771,898,331	0%
Total No. of options	145,900,000	-	145,900,000	0%

Indicative Timetable

An indicative timetable is set out below. The Company notes the timetable is subject to change.

Indicative Timetable	Date
Mail out to Shareholders of Notice of Extraordinary General Meeting and Explanatory Statement	17 January 2017
Announcement to ASX of Extraordinary General Meeting	17 January 2017

Extraordinary General Meeting	23 February 2017
Exercising of Option Agreement	24 February 2017
Completion of Acquisition Agreements	10 March 2017

Change of Key Management

As announced on 21 December 2016 the Company has appointed Dimitri Bacopanos to the Board as an independent Non-Executive Director, effective from 1 January 2017.

Mr Bacopanos has extensive experience in mergers and acquisitions, most recently as Executive Director in the Transaction Advisory Services team at EY. He has more than 20 years' commercial experience in both private and ASX listed companies and has worked across a number of major transactions, including in the technology, industrial, and agriculture sectors. His expertise extends to a wide range of corporate advisory roles covering operational reviews, feasibility analyses, strategic planning and implementation.

There are no further anticipated changes to key management as a result of this Acquisition.

- End -

For further information, contact:

Investors

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About Threat Protect Australia Limited

Threat Protect provides monitored security solutions that ensure the safety of Australian homes and businesses 24 hours a day, 365 days a year.

We have the highest security accreditation possible to achieve in Australia and use only state-of-the-art technology and equipment.

Our commitment to providing a complete end to end service is second to none, whether you own a small apartment or giant multi-national headquarters.

- Monitored Security Systems
- Security Personnel
- Corporate Risk Consultancy

We call it “**Security Without Compromise**”.

- Threat Protect is a leading Australian security agency fully licensed by WA and NSW police departments and other national and international bodies.
- We support thousands of residential and business clients in Australia and beyond.
- We'll personally evaluate your security needs.
- All products and services meet Australian Standards.
- 24-hour monitoring from our A1 graded control room in Perth.
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