



ASX ANNOUNCEMENT

15 March 2018

Threat Protect to acquire a major security monitoring business in South Australia

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 a Share Purchase Agreement to acquire Security Alarm Monitoring Service Pty Ltd (“**SAMS**”), a South Australian based security services business for approximately \$8.0m (the “**Acquisition**”).

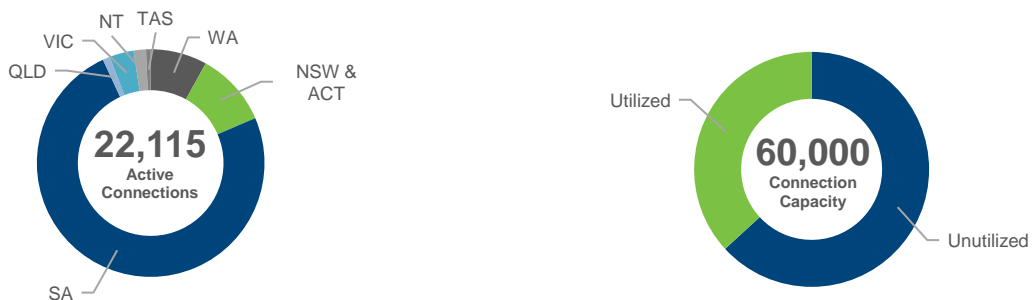
Highlights

- With currently 22,115 connections and 218 resellers, SAMS is anticipated to contribute in excess of \$5.0m in monitoring revenue annually, increasing existing monitoring revenue by ~65% (based on current revenue levels).
- SAMS’ control room in Port Lincoln, South Australia services residential and commercial clients, predominately in South Australia, with additional customer bases in all Australian States and Territories.
- Purchase price is to be completed in 2 tranches, comprising \$6.4m cash on completion, with the remaining balance settled 12-months later subject to a reconciliation of working capital and invoiced revenue, implying an acquisition multiple of approximately 1.6x revenue.
- The Acquisition will be fully funded by Threat Protect’s new acquisition Debenture Facility entered into with First Samuel Limited (“**First Samuel**”) announced in February 2018 and is expected to be immediately earnings per share accretive, post normalisation for acquisition and integration costs.

Transaction Overview

Established in 1996 and located in Port Lincoln, SAMS has grown to be a major privately-owned security monitoring service provider in South Australia, with currently 22,115 monitored connections serviced by 218 resellers.

SAMS Customer Base



THREAT PROTECT AUSTRALIA LIMITED

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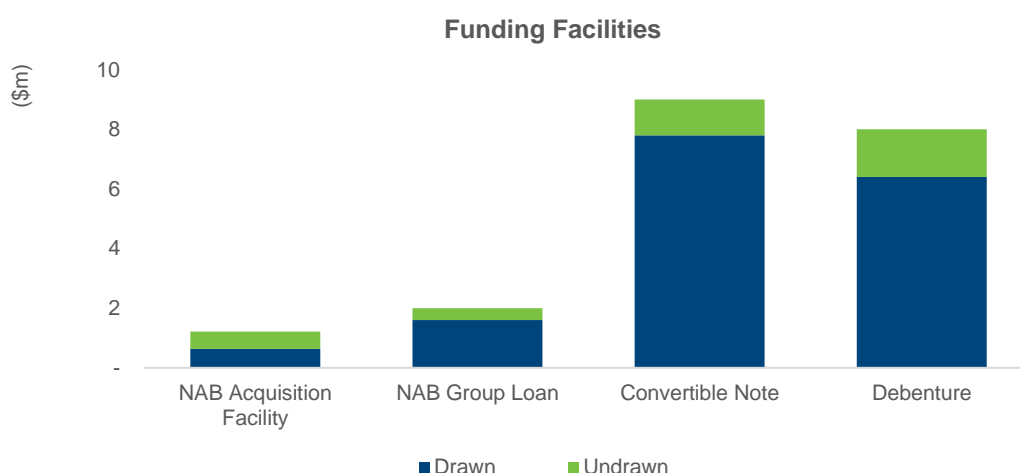
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SAMS owns and operates a purpose built monitoring centre, with a total capacity of 60,000 connections, accredited by ASIAL (Australian Security Industry Association Limited) as “Grade A1”.

The Acquisition will grow Threat Protect’s national presence, adding in excess of \$0.4m in Recurring Monthly Revenue (RMR) at current levels, growing TPS’ total monitoring revenue base by ~65%.

The agreed acquisition price is to be paid in two tranches, comprising \$6.4m in cash, payable on completion of the Acquisition, with the balance to be paid in cash 12-months post completion subject to a reconciliation of working capital and invoiced revenue. This results in an implied acquisition multiple of approximately 1.6x revenue.

The Company expects the Acquisition to be immediately earnings per share accretive and to positively contribute to Threat Protect’s 2H’18 revenue and earnings.

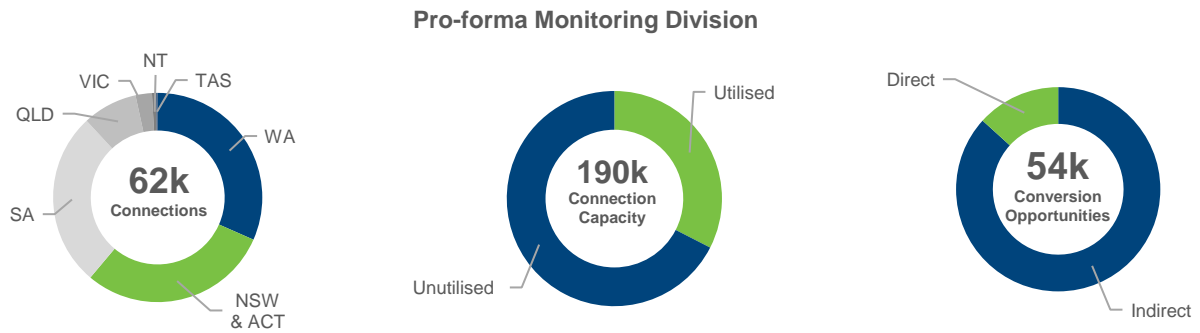


The Acquisition will be fully funded by Threat Protect’s recently executed acquisition Debenture Facility with First Samuel, which was announced in February 2018.

Strategic Rationale

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

- Further diversification of the Company’s monitoring client base, with strong exposure in South Australia, and provides additional redundancy protection with a third control room.
- A large base of resellers and indirect connections provides further direct to indirect conversion opportunities, which results in a ~3x uplift in RMR connection revenue.
- Increase in resellers from 460 to 678 will bolster ongoing organic growth. Resellers are the main driver of marketing and new monitoring customer acquisition for the business.
- At December 2017, the existing monitoring division delivered monthly RMR of ~\$630k. Based on current revenue levels, the acquisition of SAMS’ customer base will increase monthly RMR to in excess of \$1m.



Commenting on the Acquisition, Threat Protect’s Managing Director Demetrios Pynes said: “SAMS is a very well-run and systemised operation with a fantastic reputation for customer service. Operationally and culturally it is a great fit for Threat Protect.

“Expanding into South Australia further diversifies our connection base and our stable of resellers. It also provides us a much larger distribution channel for new product lines in the future.”

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 now completed 16 acquisitions since listing on the ASX in 2015, including 8 monitoring acquisitions in FY2018, and is in the process of conducting due diligence on several other opportunities.

The Company has recently announced a new acquisition funding package established with First Samuel Limited of \$8.0m, which significantly increases the Company’s acquisition capability and positions it well to progress the execution of its growth strategy.

Key Transaction Terms

Transaction structure	<ul style="list-style-type: none"> Acquisition of all the capital issued in Security Alarm Monitoring Service Pty Ltd
Purchase price	<ul style="list-style-type: none"> Total purchase price of approximately \$8.0m in cash \$6.4m cash payable on completion Balance payable in cash 12 months post completion subject to a reconciliation of working capital and customer numbers
Regulatory	<ul style="list-style-type: none"> ASX has confirmed that ASX Listing Rules 11.1.2 (shareholder approval) and 11.1.3 (re-compliance with chapters 1 and 2) do not apply to the Acquisition.

Expected completion	<ul style="list-style-type: none"> • Transaction completion anticipated by 30 March 2018, subject to conditions precedent being satisfied or waived.
Conditions precedent	<ul style="list-style-type: none"> • Completion is subject to the satisfaction or waiver of conditions considered standard for agreements of this nature, including: <ul style="list-style-type: none"> ○ the execution of key employee employment contracts; ○ the transfer of excluded assets from the Company; ○ the lodgement of regulatory documents required to be lodged by the Company; and ○ the payment of any outstanding liabilities by the Company (if any).
Member approval	<ul style="list-style-type: none"> • None required
Changes to TPS capital structure	<ul style="list-style-type: none"> • None
Changes to TPS board	<ul style="list-style-type: none"> • None
Funding	<ul style="list-style-type: none"> • Fully funded via Threat Protect's Debenture acquisition funding facility with First Samuel Limited.

- 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, NSW, Victoria and Queensland police departments, and other national and international bodies.
- We support thousands of residential and business clients in Australia and beyond.
- We will personally evaluate your security needs.
- All products and services meet Australian Standards.
- 24-hour monitoring from our A1 graded control room in Perth.

