



## Carving a niche in the security monitoring space

Intelligent Monitoring Group (ASX: IMB) is Australasia's largest independent security monitoring provider. It provides high-graded monitored security, and fire and Internet of Things (IoT) solutions, ensuring the safety and protection of over 180,000 businesses, homes, and individuals.

### Excellent competitive position in a growing & defensive industry

IMB has a multitude of competitive strengths. For a start, the security monitoring industry is defensive in nature. And IMB stands out in several ways from its competitors. In particular, it has high-quality products which are A1-rated (the highest rating available under Australian standards), an extensive and diverse customer base that includes sticky customers, a strong reseller/wholesale network. The Australian market is currently highly fragmented and underpenetrated with a low adoption rate of advanced electronic monitoring devices compared to other jurisdictions. In our view, these factors should act as tailwinds for IMB.

### ADT's acquisition marks a key milestone

Among the various acquisitions that the company has entered into, the most notable one was the acquisition of Tyco Australia (operating under the ADT brand in Australia and New Zealand). The ADT acquisition was a transformative one and helped the company move from being the third largest independent security monitoring provider to the number one independent player in the market. The acquisition brought the number of monitored security lines under the company from 70,000 to 180,000 and bolstered its DIY (Do-It-Yourself) home security offerings. Furthermore, the deal will be highly margin accretive and help deleverage the group's balance sheet in FY24.

### Valuation of A\$0.57–0.75 per share

We have valued Intelligent Monitoring Group at A\$0.57 per share in a base case scenario and A\$0.75 per share in an optimistic/bull case. We've used a blended valuation approach, undertaking Discounted Cash Flow and Relative Valuation approaches separately and weighting both equally. Please see p.19-22 for details on our investment rationale and p.23 for the key risks.

Share Price: A\$0.30

ASX: IMB

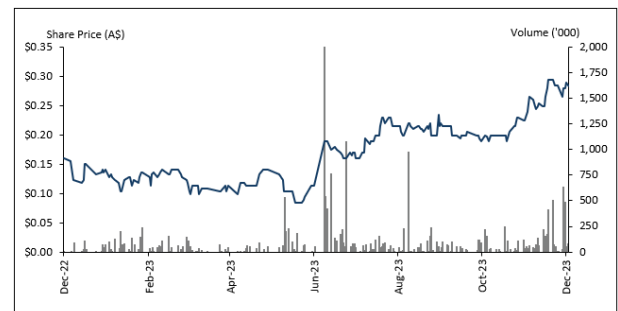
Sector: Technology

19 December 2023

Market cap. (A\$m)	72.4
# shares outstanding (m)	241.4
# shares fully diluted (m)	269.9
Market cap ful. dil. (A\$m)	81.0
Free float	42.0%
12-months low/high (A\$)	0.081/0.320
Avg. daily volume ('000)	100.5
Website	intelligentmonitoringgroup.com

Source: Company, Pitt Street Research

### Share price (A\$) and avg. daily volume (k, r.h.s.)



Source: S&P Capital IQ, Pitt Street Research

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# Intelligent Monitoring Group

*IMB is Australasia's largest independent security monitoring provider that ensures the safety and protection of over 180,000 businesses, home and individuals, round the clock.*

## Introducing Intelligent Monitoring Group (ASX: IMB)

Intelligent Monitoring Group is a provider of security solutions. It is Australasia's largest independent security monitoring provider that ensures the safety and protection of over 180,000 businesses, homes, and individuals, round the clock.

In August 2015, the company was listed through the reverse takeover of East Africa Resources. It was known as Threat Protect Australia until adopting its current name in 2021. By then, it was the third largest monitoring company in Australia but dealing with independent security companies. For reasons which we will come to, the subsequent ADT acquisition has, and will continue to be, game changing for the company.

## Intelligent Monitoring Group offers a plethora of security services

Intelligent Monitoring Group has an innovative and technology focused portfolio of security and safety brands servicing customers across Australia. It has had three key segments for revenue reporting purposes (although this may change in FY24 following the ADT acquisition): Monitoring, Protective Services and Services.

The first of these is responsible for over 80% of its revenues and provides home-monitored security systems through the Monitoring Excellence and Threat Protect brands. Monitoring Excellence is well positioned for success fuelled by state-of-the-art monitoring infrastructure, professional quality control, and response procedures. It is one of the most extensive, reliable, and progressive providers of electronic monitoring services to homes, businesses, and government agencies in Australia. Threat Protect provides alarm and video installation and maintenance services. Its personal solutions include monitored security systems, intruder detection, safe@home, safe haven, high net worth family security and security response. Its business solutions include business security, security and risk consultancy, monitored security systems, security personnel and case studies.

There have been several project initiatives that have boosted the company's monitoring platform. These include artificial (AI)-based video surveillance, upgrading its existing platform to the Patriot operating platform, and the integration of its two principal control rooms to enable faster call response. Furthermore, the company is planning linkage of devices such as thermal cameras and advanced alarm systems, which are difficult to monitor, to its control rooms to bolster the company's position in the monitoring solutions space.

Intelligent Monitoring Group has bolstered its product activity through into various acquisitions in the past few years. The noteworthy ones include Advanced Inland Security (AIS), Mammoth Technology Group (MTG), Monitored 24/7, Bellrock, and Tyco Australia (ADT). Among these, the acquisition of ADT is the most important.

*The ADT acquisition has taken the company from the third largest independent monitoring services provider to the first largest.*

## ADT – why it is such a game changer

The ADT deal is highly accretive to the company on several parameters. First, the ADT acquisition has taken the company from the third largest independent monitoring services provider to being the first largest – the number one independent player in the market. Intelligent Monitoring Group



# Intelligent Monitoring Group

has added 340 staff members and A\$95m in revenue from this deal and increased the number of monitored security lines from 70,000 to about 180,000. Second, ADT's acquisition has added a DIY home security solution to the group's product portfolio. As we will come to, DIY home security solutions have potential to become an important market trend as they have in other jurisdictions, and it places IMB in an ideal position to capitalise. Third, the acquisition has given Intelligent Monitoring Group the flexibility to be able to refinance its debt and target a reduction in its net debt.

## Intelligent Monitoring Group's business model has a number solid competitive advantages

*We believe Intelligent Monitoring Group has a robust competitive edge over its peers owing to its A1-grade products, diversified client base spanning multiple verticals, vast network and a strong financial position.*

We believe Intelligent Monitoring Group has a robust competitive edge over its peers owing to its A1-grade products, diversified client base spanning multiple verticals, vast network and a strong financial position. Notably, more than 64% of the company's revenue is subscription-based from a sticky customer base including government, personal emergency response, and other commercial customers. It generated 45% of its revenue from household monitoring security, 45% from business premises, and the rest 10% from medical/lone worker applications.

The management has performed strongly in terms of meeting its financial targets. The company reported A\$32m in revenue during FY23 (up 42% from the year before) and this number will clearly surpass A\$130m in FY24, thanks to the ADT deal. It is likely to generate gross margin of >45% and achieve an annualised EBITDA of A\$31m for FY24 (A\$1.2m for FY23). Moreover, the company is on course to reduce its debt cover from 2.2x EBITDA to 1.5x EBITDA.

## Key reasons to look at Intelligent Monitoring Group

- 1) **Intelligent Monitoring Group has a leading presence in Australia's security monitoring industry** – Intelligent Monitoring Group is Australia's largest independent security monitoring provider with an extensive reseller/wholesale network. The company caters to over 180,000 customers across businesses, homes, and individuals.
- 2) **IMB has high-quality products and strong brand reputation** – The company's monitoring centres are rated as A1-grade under Australian Standards, which is the highest rating available. Its Monitoring Excellence brand is a leading national provider of reliable electronic security monitoring services. Furthermore, its product portfolio now includes DIY security monitoring solutions, which is where the market is heading towards.
- 3) **In a defensive sector and with a defensive business model** – The security industry is a highly defensive industry to begin with. That is to say, the industry tends to be immune to macroeconomic conditions. The company has protected itself further with a defensive business model based on recurring revenue on a subscription basis, generated from a sticky customer base including government, personal emergency response, and other commercial customers. It is on track to exceed A\$130m in revenue in FY24 with a contribution of A\$95m from ADT. The company expects to generate a gross margin of >45% and achieve annualised \$31m in EBITDA.

*The company has a robust and defensive operating model.*



## Intelligent Monitoring Group

- 4) **IMB has an extensive reseller/wholesale network.** This has taken the company to the position it is and proves IMB a solid reputation in the industry.
- 5) **M&A activity has supported the company's business model** – Intelligent Monitoring Group has acquired several companies including AIS, MTG, Monitored 24/7, Bellrock, and ADT. Among these, the acquisition of ADT's Australian and New Zealand businesses has been the most transformative deal for the company. This acquisition has significantly boosted the scale, product portfolio, profitability, and reputation of the group. Furthermore, this deal has enabled the group to deleverage its balance sheet with a clear pathway to investment grade credit rating.
- 6) **Key project initiatives have enhanced the monitoring platform** – Intelligent Monitoring Group has implemented various project initiatives in recent years, such as upgrading its existing platform to the Patriot operating platform and integration of its two principal control room operations, to enhance the quality of its monitoring platform. It has also conducted a pilot study with Australia-based software company Icetana. Icetana's motion intelligence solution filters out routine motion using AI and machine learning (ML) techniques.
- 7) **Intelligent Monitoring Group has a robust operating model** – Intelligent Monitoring Group generated A\$32.9m in revenue during FY23. ~64% of its revenue is subscription-based and generated from a 'sticky' customer base including government, personal emergency response (PERS) and other commercial customers. It has generated 45% from household monitoring security, 45% from business premises and 10% from medical and personal alarms. The company has a strong operating model with expectations of >40% generation of gross margins and A\$31m of positive EBITDA for FY24.
- 8) **Industry tailwinds presents the company with significant opportunities** – The security monitoring industry in Australasia is highly fragmented with a large number of small players. This situation works in favour of larger players such as Intelligent Monitoring Group which can use its strong market and financial position for further consolidation. It is also worth noting that the Australasian market remains underpenetrated in terms of electronic monitoring devices and adoption of DIY products, as compared with other advanced economies such as the US. This implies that there is scope for significant upside in this industry in Australasia.
- 9) **Experienced management** – Intelligent Monitoring Group has an experienced board and management team that has taken the company to its current position and has strong experience in growing companies. We think the team is well qualified to take the company forward in its rapid growth journey.
- 10) **IMB is undervalued** – We believe the stock is undervalued at its current market value. We value the company at A\$0.57 per share in a base case and A\$0.75 per share in an optimistic case based on a blended valuation approach (using a DCF and Relative Valuation approach separately then weighing both equally). In our view, the stock should re-rate post the company's financial results for H1 FY24 and the full FY24, if they meet the guidance. We also think further sizeable acquisitions could attract investor attention to this stock.



*Intelligent Monitoring Group provides A1 grade security, fire and IoT solutions that help ensure the safety and protection of over 180,000 commercial and residential customers.*

## Intelligent Monitoring and its key divisions

Intelligent Monitoring Group is Australasia's largest independent security monitoring provider with connections focussed on wholesale distribution. It helps to provide A1-graded monitored security, and fire and IoT solutions that ensure the safety and protection of over 180,000 commercial and residential customers from three control rooms across Australia.

Intelligent Monitoring Group was listed in August 2015 through the reverse takeover of East Africa Resources. The company was known as Threat Protect until it adopted its current name in late 2021. By then, it was the third largest monitoring company in Australia but dealing with independent security companies. In 2022, the company changed its name from Threat Protect Australia to Intelligent Monitoring Group to better reflect the direction of the business.

The company has three business segments – Monitoring, Protective Services, and Services – though close to 80% of revenue is generated from the Monitoring segment alone (prior to the ADT acquisition).

### 1. Monitoring

Intelligent Monitoring Group provides 24-hour monitored home security systems having a premium alarm system technology. The company provides security monitoring services through wholesale monitoring and its direct brand. Between wholesale and direct businesses, the company's key focus is on premier wholesale business. Intelligent Monitoring Group works with over 30% of the 2,000 active resellers in Australia seeking to provide focused and independent services as well as new products for growth such as video surveillance, asset monitoring and personal protection. The company aims to grow its lines and penetration of devices through relationships with new resellers as well as growth of its existing resellers.

Intelligent Monitoring Group provides monitoring services primarily through its leading monitored security and safety brand, Monitoring Excellence. Monitoring Excellence is a leading national provider of electronic security monitoring services attributable to A1-graded electronic system monitoring, extensive monitoring capability and capacity, rapid and flexible response and service, business development tools and assistance for resellers, and complimentary software solutions. The A1-graded monitoring centres offer benefits of multi-level fibre and microwave links, power generators with UPS backup, controlled ventilation, and licensed security professionals. We believe that Monitoring Excellence is well positioned for growth fuelled by state-of-the-art monitoring infrastructure, professional quality control, and response procedures. It is one of the most extensive, reliable, and progressive provider of electronic monitoring services to homes, businesses, and government agencies in Australia.



# Intelligent Monitoring Group

## IMB's key project initiatives to enhance the monitoring platform's prospects

Intelligent Monitoring Group has worked on several initiatives in recent years to improve its monitoring platform (Figure 1):

**Figure 1: Key initiatives to strengthen the company's monitoring platform**

Initiatives	Details
Sofihub/Careteq	<ul style="list-style-type: none"> <li>In FY21, the company introduced the Sofihub product line, now known as Careteq, across its network of resellers. Careteq is a suite of intelligent adaptive security technology that enables the aged and at-risk members of society to live independently.</li> </ul>
AI video surveillance	<ul style="list-style-type: none"> <li>In FY21, Intelligent Monitoring Group collaborated with Icetana to conduct a pilot study. Icetana provides video analytics solutions designed for the automatic identification of anomalous actions in real time for large scale surveillance networks.</li> <li>Icetana's motion intelligence solution filters out routine motion using AI and ML techniques. The filtering out process shows only anomalous or unusual behaviour in turn allowing the monitoring centre to respond in real time to precursor activities and incidents.</li> <li>The pilot study enabled the company to present an increased level of effectiveness in monitoring of assets and operational efficiencies.</li> </ul>
Patriot operating platform	<ul style="list-style-type: none"> <li>In FY23, the company upgraded its existing platform to the new Patriot operating platform which enabled it to ensure enhanced customer experience and access new growth opportunities.</li> <li>We believe that implementation of the Patriot platform is likely to make the company the largest Australian control room operator running the modern platform.</li> </ul>
Integration of its two principal control room operations	<ul style="list-style-type: none"> <li>In FY23, Intelligent Monitoring Group successfully completed the merger/integration of its two principal control rooms.</li> <li>This development along with the rollout of targeted automation and new direct customer interfaces, is likely to enable the company to focus on delivering the best call response time for emergency call alarms in Australia. This will further help the company move towards achieving an R1 redundancy grading (achieved only by two other operators in the market). With the R1 redundancy grading, Intelligent Monitoring Group is well positioned to answer its alarms irrespective of the conditions in any one local area. It is also likely to provide a more reliable service than 98% of control rooms in Australia.</li> </ul>
Priority alarm response time	<ul style="list-style-type: none"> <li>In FY23, the company delivered a priority alarm response time placing it over 100% ahead of its nearest like sized competitors and among the fastest globally.</li> </ul>
IMG Connect	<ul style="list-style-type: none"> <li>In FY23, Intelligent Monitoring Group announced the potential rebranding of its existing security alarms monitoring service and MONEX Wholesale brands to a new entity IMG Connect. IMG Connect is witnessing new customer discussions with recognition of investments in account management, customer training, and stabilisation of its operating platform and lead response times in Australia.</li> </ul>



*The Protective Services segment offers security personnel services to its customers.*

## 2. Protective Services

Intelligent Monitoring Group provides personnel and monitoring services to its customers. Security personnel services range from personal protection for travelling executives to security officers providing protection to retail employees. The services include the following:

- **Security officers**

These include officers in a patrolling or static role. The security officers cater to large industrial complexes, hospitals, mines, sites, and retail chains.

- **Close Personal Protection (CPP)**

CPP forms a key part of a security management plan when a threat is perceived to exist for specific individuals.

- **Concierge**

The company provides concierge personnel who provide a security presence as well as reception services including access control, alarm or emergency response, coordination of emergency procedures, management and supervision of contractors as well as programmed, scheduled, and synchronised checks and reporting.

- **Secure transport**

The group provides secure personal delivery and transportation service performed by highly trained security operatives. One is assured of confidentiality and reliability when a package handled by multiple employees is left unattended. The usage of a secure transport service is also likely to help in the minimisation of client insurance premiums, particularly relating to cash and valuables.

## 3. Services

This segment provides alarm and video installation, and maintenance services. Its personal solutions include monitored security systems, intruder detection, and safe@home. Its business solutions include business security, security and risk consultancy, monitored security systems, security personnel and case studies.

A key offering of the services segment is a personal monitoring system, safe@home. The innovative system acts as a personal alarm with an optional fail detector providing users peace of mind in case of an emergency. It can be worn as a pendant on the watch, clip-on or in the form of a necklace. One can press the emergency button on the pendant when in distress. The emergency button connects to a base station installed at home and signals for assistance. The base station acts as a handsfree phone connecting the user to the monitoring control centre where the appropriate response can be made.

*The Services segment provides alarm and video installation, and maintenance services*





## IMB's key acquisitions

Intelligent Monitoring Group has delivered substantial growth through M&A. We have outlined some of the key deals below (Figure 2). The two key deals have been MTG and ADT which are outlined in further detail on the next few pages.

**Figure 2: Key acquisitions by Intelligent Monitoring Group**

Acquisitions	Details/Benefits for Intelligent Monitoring Group
Advanced Inland Security (AIS)	<ul style="list-style-type: none"> <li>In February 2022, Intelligent Monitoring Group acquired AIS for A\$5m. AIS is a Tamworth based fully integrated regional security business with over 4,500 customers.</li> <li>During the acquisition, AIS added one-third to the company's existing staffing providing Intelligent Monitoring Group's management confidence in its ability to integrate acquisitions.</li> </ul>
Mammoth Technology Group (MTG)	<ul style="list-style-type: none"> <li>In July 2022, Intelligent Monitoring Group acquired MTG. The acquisition provided the company more scale and the ability to execute its connected camera strategy on an immediate basis. It is further likely to enable the combined business to offer integrated security solutions including own branded security products.</li> </ul>
Monitored 24/7	<ul style="list-style-type: none"> <li>In January 2023, Intelligent Monitoring Group acquired assets of Monitored 24/7 for A\$0.3m (3x target EBITDA). This was a relatively small acquisition but added to the combined company's experience and depth in Western Australia.</li> </ul>
Bellrock	<ul style="list-style-type: none"> <li>In April 2023, Intelligent Monitoring Group acquired the entire customer base from Victorian security operator Bellrock Group for A\$0.4m in cash.</li> <li>The acquired customers are a mix of direct and wholesale ones and Intelligent Monitoring Group estimated that the acquisition would add A\$1.4m of annualised sales and &gt;A\$0.45m in EBITDA once fully integrated.</li> <li>The price per monitored customer of A\$370 was the lowest price paid in the company's acquisition history and the deal was highly earnings accretive.</li> </ul>
Tyco Australia Group (ADT)	<ul style="list-style-type: none"> <li>In August 2023, the company acquired all shares in ADT for A\$45m.</li> <li>ADT is a leading security provider offering installations of security systems as well as maintenance and monitoring services to residential, commercial, and medical customers in Australia and New Zealand. The complete integration of ADT is likely to take place by December 2023.</li> </ul>



*Mammoth Security brings with it a successful brand, and strong marketing and technology teams*

## **MTG acquisition has had favourable outcomes**

MTG is an Australian designer and manufacturer of IoT-connected security products. It provides innovative security solutions to retail and wholesale customers and businesses under Monkey Vision, Simple by Monkey Vision, and Mammoth Security brands. Both Monkey Vision and Mammoth Security brands are owned by Mammoth Innovation. Mammoth Innovation is a young company backed by an experienced team with rapidly growing brands that offer innovative and cost-effective security monitoring solutions. Intelligent Monitoring Group has made significant progress since December 2021 on its collaboration agreement with Mammoth Innovation resulting in client wins by the latter in January and February 2022. These included Glenvill Homes, Petstock, RSEA, and Traffic Technologies.

Mammoth Security identifies security risks and provides solutions suited for meeting client needs spanning residential, commercial and local, and global areas. In July 2022, Intelligent Monitoring Group announced the consolidation of its direct to market brands from Threat Protect and Onwatch to Mammoth Security. This paved the way for the company to re-engage with customers and highlight the products and services that can be offered to them.

Monkey Vision has developed the first Australian-built all-purpose camera technology in Melbourne using design and functional simplicity as the blueprint for the end product.

## **MTG's product portfolio**

MTG's products include a vertically integrated supply chain and a Plug and Play intuitive application. It also includes a unique ecosystem that allows multiple camera types and locations to be connected on a single application. MTG's products include 4G, Wi-Fi, industrial-grade HD cameras, and connected home solutions such as CCTV, alarm sensors, doorbell systems and lighting control, facial recognition and visitor management systems. The new range built in Australia provides an alternative to Chinese manufactured products.

## **Key benefits of the combined product portfolio**

The addition of MTG has boosted Intelligent Monitoring Group's product portfolio. The combined products of Intelligent Monitoring Group and MTG include 4G, Wi-Fi, and industrial-grade HD cameras, connected home solutions such as CCTV, alarm sensors, doorbell systems and lighting control, facial recognition and visitor management systems.

We believe that the company's collaboration with MTG enables the former to unlock contracts good for both the parties. MTG also allows the group to take its two existing control rooms and help the company accelerate its business over a sophisticated platform to enable it to reach its milestone of 700 security customers giving it a superior proposition. Having a unified platform will free up the business and boost the company's relationship with its customers.



## The ADT acquisition – a key milestone

The acquisition of ADT by Intelligent Monitoring Group was a financially compelling acquisition with highly accretive metrics. It bought the following benefits:

- It transitioned the company from being the third largest independent monitoring services provider to the number one independent player in this market.
- Added material size and scale (resulted in the adding of 340 staff and A\$95m in revenue and taking monitored security lines from 70,000 to around 180,000) to the combined business. The company expects A\$31m in EBITDA from the combined business in FY 2024.
- Bought improved recognition to Intelligent Monitoring Group, considering ADT is the only globally known security brand.
- Added a DIY home security solution. The solution is the only alarm package that offers both full monitoring and self-monitoring services.
- Deleveraged IMB’s balance sheet by providing a pathway to investment grade credit rating.
- Allowed the company to refinance its debt. It is targeting net debt reduction from 2.2x to <1.5x EBITDA within the next 18-24 months.

*We strongly believe that the acquisition of ADT is a significant step change in the scale and reach of Intelligent Monitoring Group.*

We strongly believe that the acquisition of ADT’s Australian and New Zealand businesses is a significant step change in the scale and reach of Intelligent Monitoring Group. Intelligent Monitoring Group is now likely to lead the market with the introduction of enhanced monitoring services and more financially accessible products to both the companies’ existing and future customer bases. Indeed, during the first 8 weeks of ownership, ADT traded modestly above its forecast earnings level. IMG has confirmed that it is on track to reach its \$31m EBITDA guidance.

## Key collaborations bode well for growth prospects

Intelligent Monitoring Group has also entered into strategic agreements with various partners, benefits of which have been detailed below (Figure 3).

**Figure 3: Key partnership agreements**

Partnership Agreement	Details/Benefits for Intelligent Monitoring Group
Icetana	<ul style="list-style-type: none"> <li>• In December 2021, Intelligent Monitoring Group (then Threat Protect Australia) signed an agreement with Australia-based software company Icetana.</li> <li>• In FY22, the company’s collaboration with Icetana reached the proof-of-concept stage and enhancements were made in Icetana’s motion intelligence software mainly for active monitoring solutions.</li> <li>• This in turn could open a significant opportunity as the company transitions to cameras-as-alarm. Cameras-as-alarms are the most efficient ways for customers to lower false alarm call outs and associated costs. With cameras as alarms, Intelligent Monitoring Group can connect virtually all mainstream security systems to video, thereby making video verification possible for most customers with CCTV cameras.</li> </ul>



<p>Tasmania Combined Monitoring (TCM)</p>	<ul style="list-style-type: none"> <li>• In May 2023, Intelligent Monitoring Group signed an agreement to provide security monitoring services to wholesale monitoring currently under TCM.</li> <li>• Intelligent Monitoring Group started to provide security monitoring services to TCM’s existing bureau client base effective from May. The agreement is likely to enable the company to take over 1,600 new lines and alarms, which are serviced and owned by various TCM’s bureau customers. The agreement is likely to result in addition of A\$250,000 p.a. of recurring revenue to Intelligent Monitoring Group</li> </ul>
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*Post the ADT acquisition, Intelligent Monitoring Group’s operating strategy has been bifurcated into three parts.*

## IMG’s operating strategy

Post the ADT acquisition, Intelligent Monitoring Group’s operating strategy has been bifurcated into three parts and this is outlined explained below.

### 1. Residential: Do-It-Yourself

Introduction of DIY alarm installation kits have significantly reduced the upfront cost of a home security system. The company will be focussing its residential offerings on wireless and self-installed systems. A key offering of the company will be ADT Secure Home Essential DIY solution launched in October 2023, which is available to the residential market in Australia. As we will outline in further detail in later sections of this report, we believe there is potential for increased uptake DIY systems as has occurred in the US, given the lower upfront cost to households while still getting the desired result.

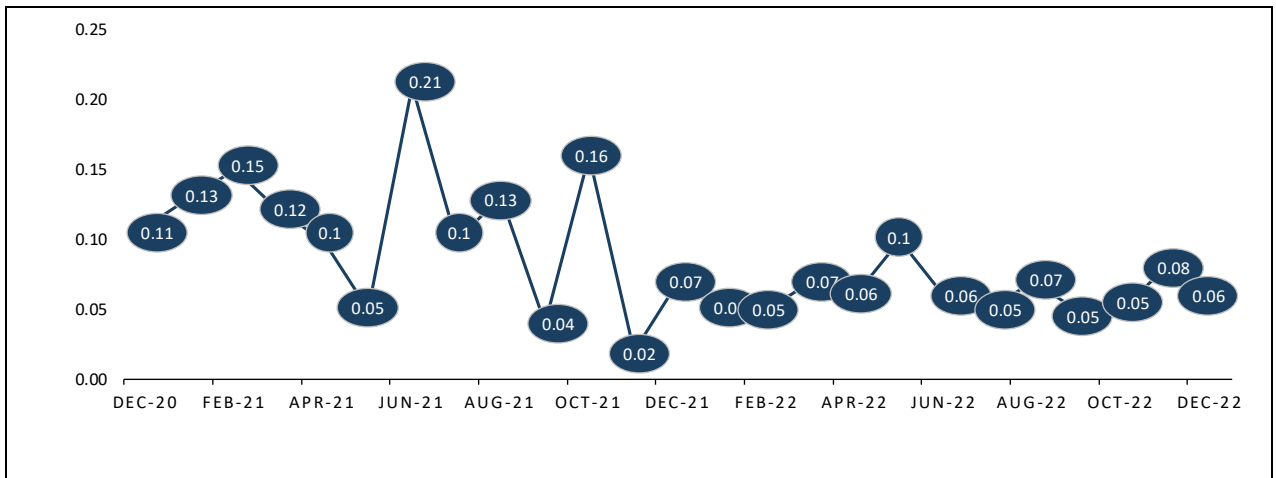
### 2. Commercial: Bringing out the best of ADT, while weeding out its faults

Several initiatives have been taken or are planned for the commercial segment, particularly since the ADT acquisition. Notwithstanding the benefits of the ADT acquisition, ADT needed some ‘TLC’ to achieve its full potential. This has included the following:

- **Rebooting the commercial installation and service business of ADT** – ADT has close to 4,000 large commercial customers. Initially, Intelligent Monitoring Group will focus on re-engaging with the existing customers to provide servicing, maintenance work, and system upgrades. The company has recommenced marketing and sales for new commercial customers as a part of its future execution plan for the business. The company has also hired senior sales (3x) and technical staff (5x) to rebuild ADT’s Australian commercial business.
- **Resolving issues with ADT’s economic model** – Intelligent Monitoring Group has fixed some issues with ADT’s economic model by raising the charges for residential, and Small and Medium Enterprises (SME) security products and doing away with subsidisation of new customers. This is likely to result in improvements in ADT’s installation revenue trend (Figure 4).



Figure 4: ADT installation revenue (A\$m per month)



Source: Company, ADT financials

- **Strategic partnership between ADT and global security manufacturer Gallagher** – The agreement caters to the latter’s SME product in the commercial space. Gallagher’s cloud-based SME solution extends beyond the conventional solutions and enables businesses to harness their potential and take charge of their security. This partnership is likely to pave the way for ADT to choose Gallagher’s solutions as the cornerstone of its offerings for the enterprise and SME sectors, reinforcing the strength of the partnership. We believe that the partnership agreement cements the shared commitment between the two companies to being partners beyond security, focussing on innovation and customer satisfaction.
- **Acquiring of >3,000 security lines from Securely in New Zealand with targeted integration by December 2023** – The security lines from Securely were acquired amid its parent company Electra Group looking at exiting its New Zealand-based security operations. The acquisition immediately succeeded ADT’s acquisition and received strong endorsement from ADT’s New Zealand management. ADT’s New Zealand business is currently operating as a standalone operation and is likely to work towards rebuilding ADT as New Zealand’s leading security provider. The security lines have been acquired at ~NZ\$290 per customer, which will be a new record low price for Intelligent Monitoring Group.



### 3. Simplification

This includes a focus on streamlining overheads and sales, monitoring centres and operators, and consolidation of suppliers and logistics (Figure 5). Total simplification improvements of A\$4.9m are targeted from the ADT acquisition, with A\$1.6m included in FY24 and A\$3.3m expected in FY25.

Figure 5: Simplification is a key operating strategy of the group

Overheads and Sales	Monitoring centres and Operators	Supplier Consolidation	Logistics
<ul style="list-style-type: none"> <li>&gt; Unwinding standard corporate costs with parent company Johnsons Controls (JCI)</li> <li>&gt; Reduction of shared service costs from Finance, IT, HR, and Collections combined</li> <li>&gt; Realigning sales staff to higher volume, better value DIY security systems</li> </ul>	<ul style="list-style-type: none"> <li>&gt; Monitoring centres will be benchmarked across the group to lift alarm response times and efficiency to Australasian leading levels</li> <li>&gt; ADT customers (particularly commercial customers) will be able to experience enhanced video and other IoT monitored devices by choosing between control room platforms</li> </ul>	<ul style="list-style-type: none"> <li>&gt; Group will work to harmonise its telecommunications costs</li> <li>&gt; ADT's current cost per line is A\$4 higher than Intelligent Monitoring Group's and there will be focus to reduce the deviation</li> </ul>	<ul style="list-style-type: none"> <li>&gt; With a change in emphasis to DIY alarm systems, the company expects to be able to simplify its logistics operations and speed up the time to implementation for new alarm installations</li> </ul>

Source: Company

### IMB has solidified its financial position

Intelligent Monitoring Group has put into motion an ambitious recapitalisation process.

**In September 2021, the company announced a transformative recapitalisation by raising A\$32m.** Of the A\$32m equity capital raised, A\$25m was in cash and A\$7.1m was in debt-to-equity conversion instruments. The debt was re-termed, with a clear achievable path to refinancing. Intelligent Monitoring Group also entered into arrangements with its lenders to structure its debt facilities and revise its financial covenants. The A\$32m equity raise and partial debt repayment represented a key milestone in strengthening the financial position of the group, and this is further likely to make the company a more attractive partner for new reseller customers.

**In May 2022, the company launched an accelerated non-renounceable entitlement offer to raise A\$10m equity.** The entitlement offer included an institutional component and a retail component. Intelligent Monitoring Group's substantial shareholder, Black Crane, committed to take up to A\$7m of the offer. The funds were needed to finance the cash portion of the AIS and MTG acquisitions, reduce the company's existing leverage, and provide additional flexibility for working capital.



*Equity raising and debt restructuring initiatives place the company in a strong position to pursue identified growth opportunities*

**In June 2023, Intelligent Monitoring Group successfully completed the institutional component of the accelerated non-renounceable entitlement offer, raising A\$9.2m at a price of A\$0.16 per share.** The institutional offer was strongly supported by existing substantial shareholder Black Crane. The retail component of the entitlement offer was completed on 27 June 2023 raising A\$5.8m.

**In August 2023, the company funded ADT's acquisition and refinanced its current debt** of A\$29m through an A\$80m 3-year debt facility and proceeds from an equity raising worth A\$15m. As a result, the debt maturity profile has been pushed out by three years till July 2026.

All these initiatives conducted by the company have strengthened the balance sheet and provided more financial headroom. This should help finance future opportunities, and attract new partners, high-quality staff, and long-term investors.

## IMG's financial momentum

FY22 was a pivotal year for the group that has set the stage for key enhancements and improvements in the future years. While revenue declined by 9.3% on a Y-o-Y basis from A\$25.5m in FY21 to A\$23.1m in FY22, the company beat the EBITDA guidance of A\$3.4m in FY22 by achieving an adjusted EBITDA of A\$3.6m. The uplift in EBITDA was mainly attributable to continued improvements in business costs, acquisition of direct monitored lines through the wholesale conversion strategy, acquisition of AIS and MTG, and contributions from new monitoring devices.

*Significant uplift in revenue resulted in the group closing FY23 with a strong EBITDA of A\$6m.*

In FY23, the top-line increased by 42.4% on a Y-o-Y basis to reach A\$32.9m on the back of strong contribution from the monitoring segment. The company closed FY23 on a high note by delivering EBITDA of A\$6m. Moreover, it is on track to reach its target of A\$31m for FY24 which will include the impact of ADT's acquisition. In Q1 FY24, the company recorded strong revenue and EBITDA of A\$25.3m and A\$6m, respectively. The financial performance was reflective of merely two months of the acquired ADT business.

## Financial benefits of ADT's acquisition

The acquisition of ADT completed in August 2023. Despite ADT's acquisition costing the company its short-term focus, the resultant business is one of improved financials and opportunities. Intelligent Monitoring Group is well positioned to build upon its relatively defensive revenue and fixed cost base. With high revenue generation post the ADT deal, the company will be able to benefit from its strong operating leverage. It is likely to generate gross margin of 40% in FY24 and deliver an estimated EBITDA of A\$28.9m and an annualised EBITDA of A\$31m (21% margin).

*ADT's acquisition positions the company to deliver an annualised EBITDA of A\$31m for FY24.*

The cash position is likely to start out with a strong position at A\$13m. Gross debt of A\$80m will be equal to 2.6x EBITDA guidance of FY24 and this figure is expected to go down to 1.5x within the next two years.

In essence, ADT's acquisition is likely to culminate in a significant uplift in cash flows attributable to:

- Scale of ADT's recurring subscription revenue.
- Completion of residential subscriber subsidisation at ADT.
- Renewed focus on commercial work generating positive margins.
- Cash flow driven by business improvement initiatives.
- A rapid pay down of debt facility.



## The security monitoring industry is a lucrative space

As per data obtained from Statista and Apollo Research Reports, the security system installation and monitoring market in Australia is estimated to be approximately US\$4bn in 2023 which includes the home security market (US\$0.5bn) and commercial security market (US\$3.5bn). The industry is highly competitive – the leading four companies barely have a third of the market.

We believe, given the high fragmentation in the domestic industry, a company’s scale will play an important role in the market, and this implies that firms such as Intelligent Monitoring Group will have an inherent advantage. This also supports the strategy of Intelligent Monitoring Group to focus on growth through inorganic means to rapidly expand its network and market share.

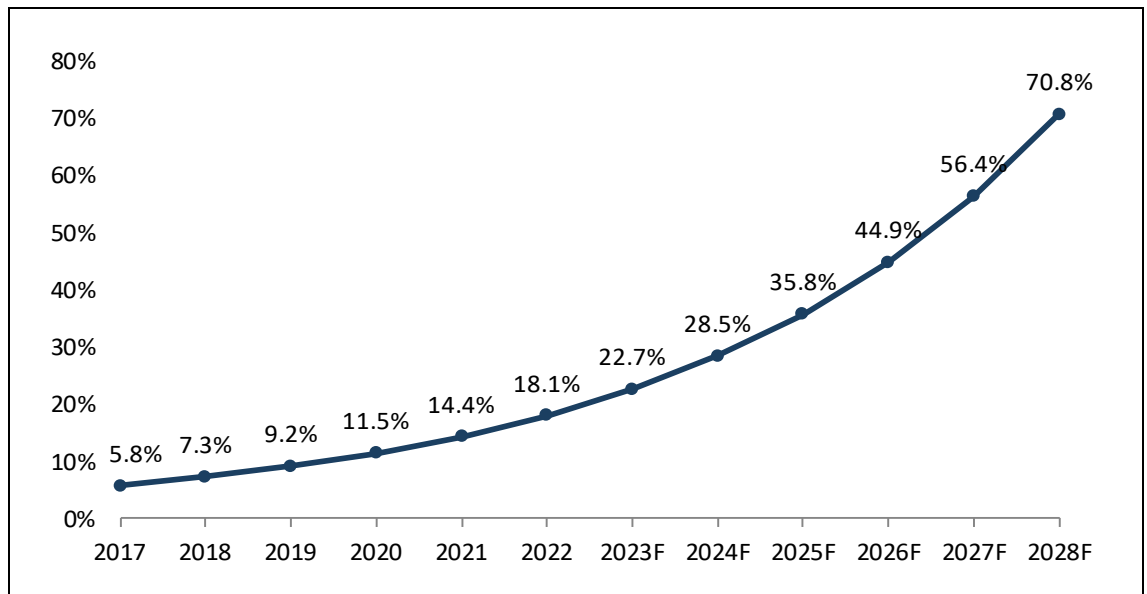
## The home security market has solid growth levers

One of the key reasons why security solutions are adopted is for the prevention of crime and other misdemeanours, particularly burglary in respect of home security systems. Australia has the seventh highest burglary rate in the world. About 70% of burglaries in Australia involve theft<sup>1</sup>, with most break-ins resulting in the theft of personal property.

Nonetheless, Australians have been slow to adopt security cameras and alarm systems with only 32.5% relying on the former and only 16% on the latter<sup>2</sup>. With the rise of smart home security solutions, there are more sophisticated ways now to protect personal property as opposed to just locking doors or installing gates and fences. According to Statista Market Insights, in 2022, the home security market in Australia is projected to achieve a revenue of US\$0.5bn. It is expected to grow at a CAGR of about 8% from 2022-2028, with the number of active households in the security market to reach 8.2 million users by 2028. Moreover, household penetration of security products in Australia is estimated to reach 71% by 2028 from 18% in 2022 (Figure 6).

*Australian home security market is relatively under penetrated as compared with the US*

Figure 6: Household penetration rate of security products in Australia



Source: Statista Market Insights

<sup>1</sup> BudgetDirect data from March 2023.

<sup>2</sup> Ibid





*The opportunity for IMB lies in an increase of the penetration of monitored alarms in Australia.*

## **Relatively low penetration of monitored home security products in Australia**

The opportunity for IMB lies in an increase of the penetration of monitored alarms in Australia. The penetration rate of 24-hour home security monitoring services in Australia is only 5%, compared with 23% in the US<sup>3</sup>. The adoption of DIY security systems is the primary reason for higher penetration of home security products in the US.

The popularity of such systems has increased due to their low cost, ease of setup, and smartphone-friendly implementation. The versatility of DIY home security will allow non-traditional home security service providers to boost the overall home alarm system adoption rate. New types of non-visual and high-tech sensors have been introduced in recent years. Radar and advanced sound detection technologies include microphones and sophisticated glass break detector systems. The growth of the contactless biometrics market, particularly as a result of the COVID-19 pandemic, as well as the increasing demand for video surveillance solutions in remote monitoring operations, are (and will continue to be) other key growth drivers for this market. In our view, Australia's security market is likely to witness a dramatic rise in demand for high-tech surveillance solutions over the next few years.

## **Shortage of skilled installers in Australia**

Lower penetration of home security products in Australia is also attributed to the skills shortage problem. The demand and supply gap has widened due to demand exceeding the availability of installers. This may lead to a further increase in wages and cost pressures. This pain point again strengthens the need for more DIY products in the market which can bypass the requirement of manual installations.

In our view, under penetration in the Australian smart home security market and growing preference of DIY products in this space, will be substantial growth drivers for Intelligent Monitoring Group. The company, through its acquisitions and collaborations, in particular via the ADT deal, has developed a vast reseller/wholesale network and expanded its portfolio of DIY offerings. This places it in a strong position to leverage the industry tailwinds.

## **Demand from commercial security market is also expected to be robust**

Beyond the home security market, the commercial security market will also be a driver of growth for IMB. The commercial security system market comprises various products such as smart locks, sensors, security cameras, and security alarms, all for the commercial sector (with examples including banking and retail). The need for security systems has grown because of increased threats, greater consumer awareness, concerns about security, and increased investments in security measures. Video surveillance products are expected to lead the market in terms of growth and size.

According to Apollo Research Reports, the Australian commercial security systems market was valued at US\$3.2bn in 2022 and is projected to reach about US\$8bn by 2032, growing at healthy CAGR of about 10%. Product wise, at present, smart locks is the highest contributor to this market, followed by security cameras, sensors, and alarms. Over the next decade, while the smart locks segment is projected to grow at about 8%, its share in the total market

*Demand from several sectors including retail and healthcare will support high growth in commercial security*

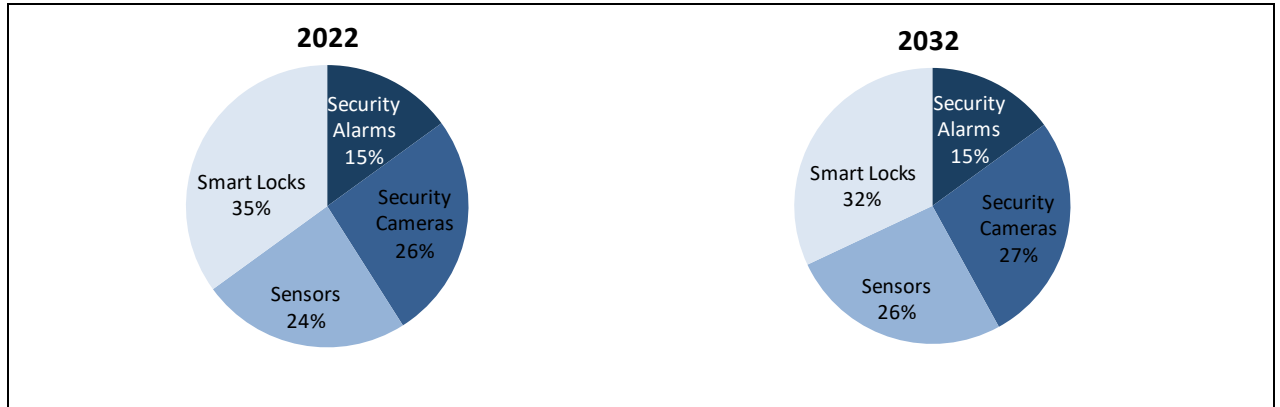
<sup>3</sup> Company in June 2023 interview with the Australian Financial Review



# Intelligent Monitoring Group

is likely to drop to 32% as compared with 35% in 2022 (Figure 7). The market for security cameras and sensors is projected to grow over 9% by 2032. The cameras and sensors will contribute 27% and 26%, respectively, to the total market size. Finally, the contribution of security alarms to the total market is likely to remain steady at 15% in 2032.

Figure 7: Australia commercial security market by product share (%)



Source: Apollo Research Reports

By end-user industry, the retail sector is the largest contributor (47% in 2022) accounting for US\$1.5bn revenue in 2022 and is projected to reach US\$3.5bn revenue by 2032, growing at a CAGR of about 8%. The healthcare sector is the second largest contributor (22% in 2022) and its share in the total market is expected to grow to 24% by 2032, growing at CAGR of over 10%. The third largest contributor is the banking sector which is likely to marginally grow its contribution from 16% in 2022 (US\$527mn) to 17% (US\$1.3bn) in 2032.

All in all, the commercial security system market will grow due to several factors, including increase in organised crime, expansion in the construction industry, increase in use of IP cameras, and faster adoption of fire protection regulations and IoT-based security systems.

## AI will be another crucial factor

AI is disrupting major industries worldwide with its multitude of applications, and we think it will also have a significant impact on the security monitoring industry. The integration of AI-powered video analytics will allow security systems to automatically detect and track suspicious behaviour, and identify potential threats in real time. While AI will play an increasingly important role in security and video surveillance, it is critical to note that human control and intervention will still be essential. The future of AI in security will likely involve collaboration between humans and AI, with AI systems providing real-time insights and suggestions, and humans making the final decisions. AI-powered security systems will progressively integrate with other technologies, such as drones, robots, and IoT devices, to create a more comprehensive and efficient security infrastructure. This will enable security systems to monitor and respond to threats across a wider range of environments and contexts. Furthermore, integration with other technologies will make security systems more effective with greater information and resources under its ambit.

*AI-powered video surveillance can be a disruptor in the security monitoring and analysis space*



# Intelligent Monitoring Group

## Our valuation of IMB

We have used a combination of Discounted Cash Flow (DCF) and relative valuation (50% each) methods to arrive at the intrinsic value of the company. Our ultimate valuation is A\$0.566 per share in our base case and A\$0.749 per share in our bull case.

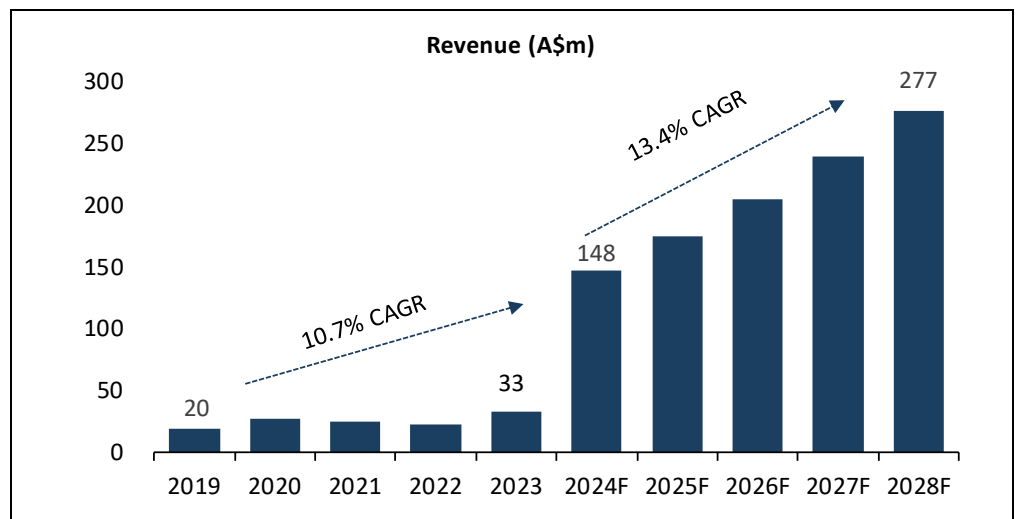
## DCF approach

Our DCF approach values Intelligent Monitoring Group at A\$0.70 per share in the base case and A\$0.94 per share in the bull case (Figure 9). Our key assumptions are as follows:

- **Revenue:** We derived the company's future revenue using a market share-based approach across Australia's home security and commercial security segments. As per our estimates, the company currently commands 11% share in the total home and commercial security market in Australia and we have assumed that this will grow to 12.6% (a 10.5% share of home segment & a 2.1% share of commercial segment) in the next 10 years. The growth from the company will occur as a result of growth in the broader market (Figure 8).

As a result of our market share estimates, the company's overall top line is anticipated to grow at an average rate of approximately 15% during FY24-28 and approximately 11% during FY29-33 (the growth rates in our bull case are approximately 16% during FY24-28 and approximately 12% during FY29-33). We estimate that the group's revenue will reach approximately A\$457m by FY33 in our base case and A\$499m in our bull case. Our estimates currently do not factor in further acquisitions in future and so are potentially conservative numbers.

Figure 8: Solid revenue growth trajectory



Estimates: Pitt Street Research

- **Expenses and margins.** The company's gross margin has hovered around 40% in the past several years. We have assumed gradual growth over the next decade, increasing by 0.5% per year. Other operating costs, such as marketing, regulatory and administration costs, have been calculated as



# Intelligent Monitoring Group

percentage of revenues similar to that recorded in FY23. We assume an EBITDA of \$28.6m in FY24 in line with the company's expectations<sup>4</sup>. For FY24, this represents a 19.4% margin in our base case and 22.4% in our bull case. By the end of the life of our model, the EBITDA margin is 25% in our base case and 28% in our bull case. Our basis is our view that margins will improve on the back of economies of scale as the company continues to scale.

- **Depreciation:** We calculate depreciation as a percentage of opening book. We start assuming 72% in FY24, in accordance with FY23, then assume it declines over time, reaching 20% by the end of the life of our model.
- **Capital structure:** The group has funded the acquisition of ADT and refinanced its current debt of A\$29m via a combination of A\$80m 3-year debt facility with Tor Investment Management and the proceeds of a A\$15m equity raising. The company plans to reduce its Net Debt/EBITDA to 2.2x with its debt refinancing efforts. In our DCF valuation, we have assumed 46% weight of equity and 54% weight of debt to reflect the company's target capital structure in future (Figure 9).
- **Tax:** We assume 30% corporate tax rate, equivalent to the local tax rate for companies based in Australia.
- **Discount rate and terminal value growth rate:** We have used a WACC of 15%. This is derived from a risk-free rate of 4.5%, a 2.01 beta, and a 6.8% equity premium. Considering that the company has excellent growth prospects in the future, with increasing demand for 24-hour electronic surveillance, we have assumed terminal growth rate of 2%. Figure 10 depicts the sensitivity of our target price to various WACCs.

*We have assumed an equity-debt proportion of close to 50:50 as the group's target capital structure*

Figure 9: Intelligent Monitoring Group DCF valuation

Intelligent Monitoring Group Valuation (A\$ m)	Base Case	Bull Case
Enterprise Value (A\$ m)	260.4	326.2
Net (debt) cash	(69.7)	(69.9)
Provisions	(1.5)	(1.5)
Equity value (A\$ m)	189.2	254.7
Share outstanding (Diluted)	269.9	269.9
Implied price (A\$ cents)	0.70	0.94
Current price (A\$ cents)	0.30	0.30
Upside (%)	134%	215%

Source: Pitt Street Research

<sup>4</sup> The \$31m EBITDA was on an annualised basis. The statutory figure was \$28.6m.



Figure 10: Sensitivity analysis of target price for varied WACC and terminal growth rate

		WACC						
		12.0%	13.0%	14.0%	15.0%	16.0%	17.0%	18.0%
Terminal Rate	0.701							
	1.25%	1.042	0.900	0.781	0.681	0.596	0.523	0.459
	1.50%	1.058	0.912	0.791	0.689	0.602	0.528	0.463
	1.75%	1.074	0.924	0.800	0.696	0.608	0.533	0.467
	2.00%	1.092	0.937	0.810	0.704	0.614	0.538	0.471
	2.25%	1.110	0.951	0.821	0.713	0.621	0.543	0.475
	2.5%	1.129	0.966	0.832	0.721	0.628	0.548	0.480
	2.8%	1.149	0.981	0.844	0.730	0.635	0.554	0.484

Source: Pitt Street Research

*The company's strong market and financial position warrants a premium*

### Peer group valuation and assumptions

The industry is highly fragmented and competitive. We have considered two peer companies in our relative valuation – Central Security Patrols Co. Ltd. (TSE: 9740) and Irisity AB (OM: IRIS).

By using the average EV/Sales multiple (1.1x) and applying a suitable premium, we arrive at a valuation of A\$0.345 per share in the base case and A\$0.379 per share in the bull case (Figure 11). This premium (20% in the base case and 30% in the bull case) is the key difference between the base and bull cases in our relative valuation.

We believe that the company after ADT's acquisition is in a better position to grow in future and hence should trade at a premium to the average peer multiple.

Figure 11: Peer group valuation

Equity value	Base Case	Bull Case
Sector average EV	1.1	1.1
Premium (Discount)	20.0%	40.0%
Implied EV	1.3	1.5
Sales	147.6	148.9
EV	187.7	221.0
Net (debt) cash	(69.7)	(69.7)
Provisions	(1.5)	(1.5)
Equity/Book value	116.48	149.79
Diluted Shares	270	270
Implied price (A\$)	0.432	0.555
Current price (A\$)	0.300	0.300
Upside (%)	43.9%	85.0%

Source: Company, Pitt Street Research



# Intelligent Monitoring Group

## Blended valuation suggests that the company is highly undervalued

We arrive at a final valuation of A\$0.572 per share in the base case and A\$0.755 per share in the bull case. We have considered ADT's acquisition in our FY24 estimates and we believe that if the management guidance for FY24 is met or exceeded, this will help gain investors' confidence in the stock. The target price range represents a substantial upside to the current price, thus providing enough cushion for potential investors. Below is the summary of our final valuation range (Figure 12).

Figure 12: Composite valuation for IMB

Base Case	Weights (%)	Share price (A\$)
DCF	50.0%	0.701
Relative valuation	50.0%	0.432
<b>Composite Value</b>		<b>0.566</b>
Current Price		0.300
<b>Upside/ Downside (%)</b>		<b>88.8%</b>

Bull Case	Weights (%)	Share price (A\$)
DCF	50.0%	0.944
Relative valuation	50.0%	0.554
<b>Composite Value</b>		<b>0.749</b>
Current Price		0.300
<b>Upside/ Downside (%)</b>		<b>149.7%</b>

Estimates: Pitt Street Research

## Catalysts for re-rating

The stock is currently trading below our valuation range. We believe the following factors can contribute to the re-rating of the stock in the direction of our valuation range:

- Intelligent Monitoring Group had acquired Mammoth and now ADT to expand its business in the security monitoring industry. These acquisitions have been highly beneficial to the company in not only market share expansion but also achieving profitable growth. In our view, if there are more such value-accretive acquisitions in future, this would help attract greater investor attention.
- The company has projected combined revenue (including ADT) of approximately A\$147m and EBITDA of A\$31m for FY24. If the management is successful in achieving or surpassing these targets, it will serve as a catalyst for the stock.



## Risks

We foresee following key risks to our investment thesis for Intelligent Monitoring Group:

- **Competitive risk:** The company is in a highly competitive market that requires constant innovation. There is the risk of major competitors seizing the group's market share through the development of superior products and/or by causing pricing pressure in the market.
- **Regulatory risk:** The company is subject to several Australian laws and regulations, such as consumer protection laws, privacy laws, and workspace health and safety laws. Any instance of a critical regulatory lapse in future could have an impact on the company's future product line and its cashflows.
- **Key personnel risk:** The company's performance is highly dependent on its management team and staff. There is the risk that the company could lose these individuals and be unable to replace them and/or their contribution to the business.
- **Cost pressures:** The demand for security products is running ahead of the ability to install alarms. And so, wage inflation can be a threat to the company. This risk is mitigated to a certain extent for the group as it has started focusing more on DIY product categories.
- **Acquisitions not panning out:** Intelligent Monitoring Group has relied on acquisitions to grow its scale and it is likely that the management will continue to follow this target in future. There is the risk that the company may enter into deals that do not yield the desired benefits and also negatively impact its capital structure and shareholder wealth.



## Comparable companies

When considering companies to use for our Relative Valuation (Figure 13), we applied the following criteria:

- 1) Public companies operating in the security and alarm services industries, which may or may not include physical security services.
- 2) Firms operating in developed markets with market capitalisation below US\$500m.

Figure 13: Public comparable companies

Company	Location	Ticker	Market cap. (US\$m)	Security alarm and video monitoring services?	Security guard and personnel services?	Website
Central Security Patrols	Japan	TSE: 9740	241.4	Yes	Yes	<a href="http://www.we-are-csp.co.jp">www.we-are-csp.co.jp</a>
SSC Security Services	Canada	TSXV: SECU	36.1	Yes	Yes	<a href="http://www.securityservicescorp.ca">www.securityservicescorp.ca</a>
Irisity AB	Sweden	OM: IRIS	21.8	Yes	No	<a href="http://www.irisity.com">www.irisity.com</a>
Tempest Security AB	Sweden	OM: TSEC	11.2	Yes	Yes	<a href="http://www.tempestsecurity.com">www.tempestsecurity.com</a>
Aquila SA	France	ENXTPA: ALAQU	6.6	Yes	No	<a href="http://www.reseau-aquila.fr">www.reseau-aquila.fr</a>
ECI Technology Holdings	Hong Kong	SEHK: 8013	6.6	Yes	Yes	<a href="http://www.ecinfohk.com">www.ecinfohk.com</a>
Transfer Group AB	Sweden	NGM: TRNSF	4.3	Yes	Yes	<a href="http://www.transfer.se">www.transfer.se</a>
MCS Services Ltd	Australia	ASX: MSG	2.6	Yes	Yes	<a href="http://www.mcssecurity.com.au">www.mcssecurity.com.au</a>
Intelligent Monitoring Group	Australia	ASX: IMB	46.3	Yes	Yes	<a href="http://www.intelligentmonitoringgroup.com">www.intelligentmonitoringgroup.com</a>

Source: S&P Capital IQ, Pitt Street Research

**Central Security Patrols (TSE: 9740)** is engaged in security and real estate businesses in Japan. The security segment provides services such as stationed security, transportation security, fire and disaster prevention safety management along with online and home security services.

**SSC Security Services (TSXV: SECU)** specialises in providing physical and cyber security solutions to corporate and public sector clients in Canada. It offers physical security services such as security guards on-site, remote continuous camera tracking, mobile patrol, and investigative services. It also offers cyber security services such as managed security, and vulnerability and risk analysis.

**Irisity AB (OM: IRIS)** offers complete security solutions in the area of video surveillance including installation, monitoring, automatic alarms, and ongoing service. It offers complete packages in different types of areas depending on the requirements and possibility of threats.

**Tempest Security AB (OM: TSEC)** is a Sweden-based company providing a wide range of security services, including traditional security guards, preventive services, surveillance, and technology installation. The traditional security services consist of stationary security monitoring and mobile security monitoring. The company also offers services such as personal protection and surveillance, security consulting, security investigations, background checks, and training.

**Aquila SA (ENXTPA: ALAQU)** is a France-based company offering alarm intervention services, accompanying services for workers and maintenance technicians at security risk points, intervention services for the elderly and more. Additionally, the company develops and sells security devices, particularly the Aquimobil Portable Global Positioning System (GPS) Security Alert device.

**ECI Technology Holdings (SEHK: 8013)** offers high-voltage solutions mainly in the area of central control monitoring system for public and private sector





clients in Hong Kong. It operates in installation and maintenance services and security guarding services segments. The company offers a wide range of solutions, including central control monitoring systems for security, car park, and clubhouse management systems.

**Transfer Group AB (NGM: TRNSF)** is engaged in providing a wide range of security services in Sweden such as surveillance services; security guards, personal security guards, store inspectors; shell-proof patio doors, burglar-proof cashier fronts, entrance locks, windows on villas and offices and security doors. The company also engages in development and sales of specialist security equipment including mobile alarm systems and global wireless alarms.

**MCS Services Ltd. (ASX: MSG)** operates in two segments, Security Services and Traffic Management. It provides uniformed unarmed security guards to shopping centres, sporting venues, entertainment venues, hospitals, government buildings, corporate offices, and community facilities, as well as undercover security, alarm installation, and CCTV monitoring, mainly in Western Australia.

We also looked at few private comparable companies operating in Australia and New Zealand as independent entities (Figure 14).

**Figure 14: Private comparable companies**

Company	Location	Ticker	Security alarm and video monitoring	Security guard and personnel services?	Website
Advent Security Services	Australia	Private	Yes	Yes	<a href="http://www.adventsecurity.com.au">www.adventsecurity.com.au</a>
Australia Wide Security Brokers	Australia	Private	Yes	Yes	<a href="http://www.awsb.com.au">www.awsb.com.au</a>
Chris Jones Security Services	Australia	Private	Yes	No	<a href="http://www.chrisjonessecurity.com.au">www.chrisjonessecurity.com.au</a>
Rush Security Services	New Zealand	Private	Yes	Yes	<a href="http://www.drsecurity.co.nz">www.drsecurity.co.nz</a>
Titanium Security	Australia	Private	Yes	Yes	<a href="http://www.titaniumsecurity.net">www.titaniumsecurity.net</a>

Source: S&P Capital IQ, Pitt Street Research

**Advent Security Services Pty. Ltd.** offers a wide range of security services to commercial and public sectors in Australia. Services include access control, alarm installation and monitoring, building security systems, CCTV Installation, close personal protection, electric fences, grade-one monitoring, high-rise building security, investigation services, static and mobile patrols, and security officers and security services for special events.

**Australia Wide Security Brokers Pty. Ltd.** offers security services for government agencies, schools, and the private sector in Australia. Services include discrete cash movements by plain clothed unarmed security guards in unmarked vehicles, armed guards, patrols and alarm monitoring services, and vehicle tracking services.

**Chris Jones Security Services** provides commercial, industrial, and residential security services. The company's services include home security with CCTV installations, business security with intruder alarms and video surveillance, industrial security, and rural security.

**Rush Security Services Ltd.** offers alarm monitoring services such as mobile text messaging, e-mail alerts and reports, internet monitoring, and cellular backup. The company also offers video monitoring services such as video verification and scheduled and dedicated video guards, video email notifications, and video demos. Additionally, it provides on-site guard services.



**Titanium Security Pty. Ltd.** offers an extensive range of security services for private, commercial, corporate, local government, and industrial clients. Its services include security guards, event security, alarm systems and CCTV, and banking and cash collection services.

## Appendix I: Experienced leadership in place

Intelligent Monitoring Group has an experienced board and management team ( Figure 15) that we believe is well equipped to take the company forward in its rapid growth journey. The company’s leadership team has extensive experience in corporate finance and in growing companies.

**Figure 15: Intelligent Monitoring Group’s management and board members**

<b>Name and Designation</b>	<b>Profile</b>
<b>Peter Kennan</b> Non-Executive Chairman	<ul style="list-style-type: none"> <li>• Peter Kennan is CEO and CIO of Black Crane Capital, a venture capital firm which has a fund that is a significant shareholder of the company. He joined the company in January 2020 and was appointed as Chairman in July 2021.</li> <li>• He has about 25 years of experience in investing and assisting turnaround companies.</li> <li>• Prior to founding Black Crane in 2009, Kennan was a leading corporate financier with UBS Asia Pacific.</li> </ul>
<b>Robert Hilton</b> Non-Executive Director	<ul style="list-style-type: none"> <li>• Robert Hilton transitioned to the position of Non-Executive Director in May 2023 from the role of an Executive Director.</li> <li>• He has 34 years of experience in sales and marketing, and is the founder of The Promotions Factory, now TPF Group.</li> <li>• As an Executive Director, Hilton set up a Melbourne office for the company and rebranded the direct business to Mammoth Security. He also oversaw the launch of the first Mammoth Security Lab in Chapel Street Prahran.</li> </ul>
<b>Alexander Jason Elks</b> Non-Executive Director	<ul style="list-style-type: none"> <li>• Alexander Elks serves as Non-Executive Director at the company since December 2022.</li> <li>• He is a seasoned executive who has been led change and growth strategies in a number of organisations.</li> </ul>
<b>Dennison Hambling</b> Managing Director, Deputy Chairman	<ul style="list-style-type: none"> <li>• Dennison Hambling has more than 20 years of capital market experience. He is the former head of public and private equity for 360 Capital Group.</li> <li>• Prior to 360 Capital Group, he worked at First Samuel Limited, Cooper Investors, and Goldman Sachs JBWere.</li> </ul>
<b>Roy Kelly</b> Chief Financial Officer	<ul style="list-style-type: none"> <li>• Roy Kelly was appointed to the current position in July 2022.</li> <li>• He is well aware of the company’s operations having been a former owner of its subsidiary, “SAMS”, and having consulted to the business in recent years.</li> </ul>
<b>Neil Green</b> Company Secretary / Chief Risk Officer	<ul style="list-style-type: none"> <li>• Neil Green was appointed to the current position in September 2022.</li> <li>• He has a Bachelor of Business degree in Accounting and Taxation from The University of Technology, Sydney along with a diploma in</li> </ul>



	Professional Legal Practice and a Bachelor of Laws from the University of New England. He has been with the company and predecessor businesses for 25 years.
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Source: S&P Capital IQ, Pitt Street Research

## Appendix II – Key shareholders

The company's key shareholder is Black Crane Capital which owns about 58% stake through the Black Crane Asia Pacific Opportunities Fund. Black Crane Capital is an investment vehicle founded by Peter Kennan who is the company's Non-Executive Chairman.

## Appendix III – Analyst certification

Stuart Roberts, lead analyst on this report, has been an equities analyst since 2002.

- Stuart obtained a Master of Applied Finance and Investment from the Securities Institute of Australia in 2002. Previously, from the Securities Institute of Australia, he obtained a Certificate of Financial Markets (1994) and a Graduate Diploma in Finance and Investment (1999).
- Stuart joined Southern Cross Equities as an equities analyst in April 2001. From February 2002 to July 2013, his research speciality at Southern Cross Equities and its acquirer, Bell Potter Securities, was Healthcare and Biotechnology. During this time, he covered a variety of established healthcare companies, such as CSL, Cochlear and Resmed, as well as numerous emerging companies. Stuart was a Healthcare and Biotechnology analyst at Baillieu Holst from October 2013 to January 2015.
- After 15 months over 2015–2016 doing Investor Relations for two ASX-listed cancer drug developers, Stuart founded NDF Research in May 2016 to provide issuer-sponsored equity research on ASX-listed Life Sciences companies.
- In July 2016, with Marc Kennis, Stuart co-founded Pitt Street Research Pty Ltd, which provides issuer-sponsored research on ASX-listed companies across the entire market, including Life Sciences companies.
- Since 2018, Stuart has led Pitt Street Research's Resources Sector franchise, spearheading research on both mining and energy companies.

Nick Sundich is an equities research analyst at Pitt Street Research.

- Nick obtained a Bachelor of Commerce/Bachelor of Arts from the University of Sydney in 2018. He has also completed the CFA Investment Foundations program.
- He joined Pitt Street Research in January 2022. Previously he worked for over three years as a financial journalist at Stockhead.
- While at university, he worked for a handful he worked for a handful of corporate advisory firms.

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