



29 February 2024

ASX: IMB

## 1<sup>st</sup> Half Results and Five Months of ADT Ownership

Intelligent Monitoring Group Limited (**IMG** or the **Company**) today announces its financial results for the six months ending 31 December 2023 (H1'24) and provides a business update including an outlook for the remainder of FY24. Further detailed results & reconciliations are outlined in the presentation, and Appendix 4D and audited accounts lodged with the ASX today.

### H1'24 Financial Highlights

A\$m	1H 23	1H24	Change (\$m)
Revenue	11.6	55.7	+44.1
Gross Profit	4.9	26.2	+21.3
EBITDA (pre-abnormal and nonoperating items)	1.7	14.2	+12.5
Depreciation	3.1	4.3	+1.2
EBIT	-1.4	9.9	+11.3
Interest	-2.9	-7.4	-4.5
Tax	0	0	0
Abnormal items	-0.6	-6.0	-5.4
NPAT (continuing business)	-4.9	-2.9	+2
Operating cashflow	-0.9	1.4	2.3
Operating Cashflow (adjusted for transaction costs and working capital)	-0.8	11.9	+12.7
Net Debt	28.9	66.9	+38.0

**INTELLIGENT MONITORING GROUP LIMITED**

ABN 36 060 774 227

1 Tully Road, East Perth WA 6004

Website:

[www.theimg.com.au](http://www.theimg.com.au)

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## H1'24 Operational Highlights

With ADT contributing five months to the 1H result it is pleasing to see the business delivering to plan.

- Revenue has been tracked at expectations, with a better result early from the ADT AU commercial operation, and a slightly lower-than-expected contribution from the existing IMS business and ADT NZ.
- Gross Margin and EBITDA have tracked at or above expectations in the period of ADT ownership. Reflecting some of the targeted gains and business improvement initiatives coming through, whilst also reinvesting in more insourced staff, both in technical services and due to the transition agreement (TSA) handover process from ADT vendor, JCI.

1H2024	Revenue	Gross Profit	EBITDA	EBITDA Margin
ADT AU (5 months)	26.4	14.3	7.6	28.8%
ADT NZ(A\$) (5 months)	16.2	6.7	4.1	25.3%
IMS (6 months)	13.1	5.9	2.5	19.0%
Group	55.7	26.9	14.2	25.5%

- Cashflow has been negatively impacted during the transition period.
  - ADT experienced an increase in Working Capital, throughout the transition from the vendor's systems. This is expected to be completed by May 2024 (for full finance handover). This has had the impact of reducing accounts payable and increasing accounts receivable. ADT has had to be proactive with its suppliers to maintain good faith and in slower-than-expected cash collections, as this process remains somewhat part of an outsourced function. These are expected to be remedied in the coming months as IMG exercises full control over its accounting processes.
  - ADT also inherited a tail of work to complete under the old economic model (which heavily subsidized new customer installations). This resulted in capex being higher than normal in the first few months of IMG ownership, and as the telco 3G to 4G transition occurs.
  - As per our business plan, IMG put up the prices for new customers and customer support to at least break-even levels, straight after ownership of ADT was taken. This is now flowing through the business and having a positive effect on unit economics moving forward. Capex will remain through the 3G transition period (in particular), however, it will now generate an economic return which should be seen in the P&L moving forward.
- As expected and highlighted in the transaction presentation (announced on 13 June 2023), the business had a lot of transition, restructuring, and acquisition-related costs in this period. To understand the economic power of the business, these must be backed out of the reported financials.

Breakdown	1H 24	1H23
Reported EBITDA	7.3	1.4
<i>Less adjustments</i>		
Impairment of receivables	0.7	0.2
Impairment of assets	0.4	
Business acquisition and integration and refinancing costs	3.5	
Loss on sale of investment	1.3	
Abnormal Share-based expense	1.1	
Underlying EBITDA	14.2	1.7

- The business acquisition and integration costs included items such as consultants and advice fees undertaken primarily as part of the ADT acquisition (but also including the costs of controlled entity AIS sale).
- The balance sheet has been significantly impacted and reset by the acquisition of ADT.
  - The asset base of the business has risen to \$119.2m. As highlighted the working capital of the business was impacted by \$5.7m in 1H24 through a larger impact on receivables, versus a smaller impact on payables than expected. This is expected to be normalized in the coming six months.
  - Post the acquisition of ADT intangibles have increased \$24.0m to \$47.6m
  - Borrowings of \$75.8m with net cash of \$8.9m, gave a Net Debt amount of \$66.9m on 31 Dec. The facility, entered into on 1 August, runs for three years, with an ability to refinance early (except for a minimum interest payment of 18 months).
- During the period IMS sold the Advanced Inland Security (AIS) business to its long-term local installation partner (announced 30 Nov 2023). It also entered a long-term Bureau (or wholesale) monitoring agreement. The impact of the transaction was negligible to the operating bottom line; however, it does reduce sales by \$8m annualized, and the composition of the costs in the P&L. It also results in a technical loss, as AIS is removed from the balance sheet (at a price lower than it was acquired), but the significant value of the long-term contract is not recognized. IMS is excited to work in partnership with AIS to assist it continue to service its local market and long-term customers.
- ADT launched the ADT Home Secure package on Valentine's Day 2024. This is the first iPhone-quality self-installed security system in large-scale release in Australasia and marks a new era for home and small business monitored security in this country. ADT NZ will launch this new service in late March in NZ.

#### Management commentary

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Managing Director Dennison Hambling commented: "This first five months with ADT has flown by. It's hard to comprehend the business that we walked into in August and the business that ADT is today, or the group that IMG has become.

We have:

- separated the Australian and NZ businesses;
- begun to carve out "ADT Care" stand-alone;
- moved to mostly new offices around AU and NZ as we moved out of JCI;
- been moving off shared systems at a rate of knots;
- hired new talent and blood, across the business;
- partnered closely with Gallagher on its SMB product;
- launched the Sybersense ADT Home Secure package; and
- reconnected successfully with many significant commercial companies around Australia, who are looking for a full-service, high-quality national security partner.

What has become apparent through this journey is how significant and tangible the opportunity is for ADT & IMG. Security services are akin to financial services - people and businesses need and want quality advice (particularly at a time of escalating crime and threat) and there are no AMP, Perpetual, or other household names in this space currently. **The only household and global brand name is ADT.**

With such low use of home and small business services, with very few global quality full-service security options for large-scale businesses, and an aging population with technology and services that can help them stay secure for longer, IMG sees multiple large-scale growth areas on which it is focusing, which can support significant growth over the next 3-5 years.

With the noise of the acquisition and refinance behind us (and in the financials), IMG will now turn its focus to driving cash flow, reducing debt, building for growth into FY2025, and ultimately refinancing its balance sheet (to lower cost funding). With a guaranteed 18 months of interest owing to its debt holders, the likely window for this work will open at the end of this year, with a refinancing announced early in 2025, and completed by Feb 2025.

Once a refinance is undertaken, the company will review its capital management policy, and ultimately expect to become a good dividend payer, in what is expected to be a strong cash-flow-generating business.

In the meantime, the company remains focused on meeting its FY24 targets, as per the acquisition announcement, whilst also building a strong outlook to accelerate business into FY2025.

We will look forward to providing further guidance on FY2025 at the FY24 results time."

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## Appointment of new Chief Financial Officer

The company is happy to announce that Jason Biddell (formerly Chief Products Officer) has been appointed to the role of Chief Financial Officer (CFO). Jason has completed several successful projects in the Product area. In particular, the launch of the ADT Home Secure DIY product and the introduction of Simple by Monkey Vision cameras into Bunnings; and in assisting the successful and effective transition of ADT from JCI in the logistics and distribution area. Jason joined the business with the acquisition of Mammoth Technology Group and has been a key member of the executive team since that time.

**ENDS**

**Authorisation:** This announcement is authorised for release by the Board of Intelligent Monitoring Group Limited.

**Contact details: For further information, please contact:**

**Company Enquiries:**

Dennison Hambling  
Managing Director  
Intelligent Monitoring Group Limited  
Email: [dhambling@theimg.com.au](mailto:dhambling@theimg.com.au)

**Investor Relations, Media & PR:**

Rod North  
Managing Director  
Bourse Communications Pty Ltd  
+61 408 670 706  
Email: [rod@boursecommunications.com.au](mailto:rod@boursecommunications.com.au)

**About Intelligent Monitoring Group Limited**

Intelligent Monitoring Group provides monitored security, fire and IOT solutions that ensure the safety and protection of Australian businesses, homes and individuals 24 hours a day, 365 days a year.

The Company operates with the highest security accreditation from three monitoring centres in Australia and one in NZ.

**GROWTH STRATEGY**

Security services are increasingly in demand, with technology providing more and cheaper ways to provide better solutions for customers.

As the largest Australian-owned and operated monitoring partner, IMG is well positioned to be a partner of choice to those looking for professional-grade solutions (be they independent security companies, needing monitoring services [via IMS], or enterprise customers looking for complex security solutions [via ADT]).

As a fragmented industry, with no clear industry leader IMG is in a good position to partner and lead consolidation with commercial organisations looking for long-term solutions for their businesses.

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