



# 1H 2024 Results Presentation

February 2024



INTELLIGENT  
MONITORING GROUP

ASX:IMB

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**9.1% of Australian Households experienced some form of household crime in 2021-2022.**

**This is over 900,000 houses. But only 5% of houses have a monitored security solution.**

**In the US 23% of houses are professionally monitored... this is going to change....**

# WHAT IS IMG?

Consolidated business is largest player in security monitoring services in Australasia



**>180,000**

One of Australia's largest security monitoring providers focused on both commercial and residential customers



**>\$6.5m**

Combined recurring monthly revenue (RMR)



**>64%**

Revenue is subscription based with diversified "sticky" customer base across govt, commercial, residential and personal emergency response with an average customer tenure of 7 years



**>40%**

Gross margin in FY24F with strong core cashflow generation, high margin and scalable cost base providing strong operating leverage



**>60%**

Combined gross margin on security monitoring driven by low cost to serve



**~\$31m**

FY24F EBITDA normalised for transaction and restructuring costs. Annual cost-out of c. \$6m targeted during FY24.



**~>400**

Employees in IMG group, working across Australasia

# 1H 2024 RESULTS OVERVIEW

## First 5 months of ADT business, and business improvement program

### First period with ADT ownership

- With ADT for 5 months – IMG delivered an EBITDA of \$14.2m – on track to meet or beat its EBITDA guidance for FY24.
- Balance sheet now reset, acquisition and refinance costs paid. Focus on business improvement, growth and cashflow
- Revenue of \$55.7m with \$41.0m (73%) of recurring revenue.

### Balance sheet refinanced in the period – refinance in the next 12 months

- \$80 million debt funding in place.
- Debt maturity profile through to July 2026
- Minimum 18-month interest payment only practical barrier to refinancing to cheaper funding sources (six months in).

### Significant period for ADT & IMG Operations

- Split the ADT business into a NZ and Australian, stand-alone business. Further have begun to “carve out” ADT Care from ADT Australia
- Replaced outsourced technical staff, with high-quality technical staff. Employed new commercial sales BDM's.
- A lot of structural change within the operations (team realignment and refocusing) with several key new hires.
- New product launches. Gallagher SMB and Sybersense (to be released in NZ in late March)
- Focus has moved to growth into FY2025 around the three key engines – ADT Commercial, ADT DIY, and ADT Care

## Significant change in financial scale for IMG

- EBITDA rises due to the inclusion of 5 months of ADT trading.
- ADT contributed \$11.7m EBITDA for 5 months.
- IMS (IMG pre-ADT) delivered an EBITDA in line with a \$6m annualised rate during December 2023.
- Interest costs include the cost of refinancing the prior debt (\$4.4m)
- Abnormal costs include costs of ADT transaction and restructuring program
- Loss from Discontinued operations relates to the sale of the AIS business. Whilst the sale price was less than the price paid for the acquisition, this treatment fails to account for the material long-term (10-year) bureau monitoring agreement that was entered into at the time of sale. The underlying earnings impact of the sale was neutral.

P&L Summary					
		1H23 Pre ADT	1H24 (5 mths ADT)	Change	Forecast FY24
Revenue (5 Months ADT)	\$m	11.6	55.7	44.1	147.6
Gross Profit (5 Months ADT)	\$m	4.9	26.2	21.3	
EBITDA (5 Months ADT)*	\$m	1.7	14.2	12.5	31.0*
EBITDA margin	%	15%	25%		21%
Depreciation	\$m	3.1	4.3	1.2	
EBIT	\$m	-1.4	9.9	11.3	
Abnormal items**	\$m	-0.6	-6.0	-5.4	
Interest	\$m	-2.9	-7.4	-4.5	
Tax	\$m	0	0	0	
Loss before discontinued operations	\$m	-4.9	-2.9	2.0	
Loss from Discontinued operations	\$m	0.3	-1.4	-1.7	
NPAT	\$m	-4.6	-4.3	0.3	

- EBITDA excluding non-recurring costs (relating to the acquisition of ADT, refinancing, and sale of AIS [after tax])

\*\* Includes Impairments from acquisition,, share-based effects post ADT, business acquisition, divestiture, and integration costs.

## Reconciliation to Statutory accounts

EBITDA Reconciliation				
		1H23	1H24 (5 mths ADT)	
Reported EBITDA	\$m	1.4	7.3	Per Statutory accounts
Impairment of receivable	\$m	0.2	0.7	Impairment of acquired receivable on review
Impairment of assets	\$m		0.4	Impairment of acquired assets on review
Business acquisition and integration and refinancing costs	\$m		3.5	Various costs relating to the acquisition of ADT, the divestiture of AIS, and the refinancing of the balance sheet. Included is redundancies and restructuring costs for the period
Loss on sale of investment	\$m		1.3	The sale of AIS has incurred a headline loss, however, the long-term wholesale agreement that has been entered into makes this a technical adjustment in the boards' opinion
Share based expense	\$m		1.1	The vesting of the shares granted to the MD as part of the ADT deal has contributed to a booked non-cash increase in costs, related to the share price. These shares are fully diluted in the share base presented
Underlying EBITDA (rounded)	\$m	1.7	14.2	With 5 months contribution of ADT

## Break down of acquisition, integration and refinancing costs

Reconciliation of Non-recurring costs			
		1H24 (5 mths ADT)	
Business acquisition and integration and refinancing costs	\$m	3.5	Various costs relating to the acquisition of ADT, the divestiture of AIS, and the refinancing of the balance sheet. Included is redundancies and restructuring costs for the period
<i>Broken down into:</i>			
Professional Services	\$m	1.48	Various consultants on corporate structure, product strategy, TSA exit strategy, ERP implementation
Advisory fees	\$m	1.28	Debt restructuring and equity raising advisory fees
Legal fees	\$m	0.59	Contract review and various opinions on corporate structure and governance
Infrastructure	\$m	0.15	Associated costs to facilitate exit from TSA

## Reset and stable balance sheet

- Cash position \$8.9m. Gross Debt: \$75.8. Net Debt \$66.9m
- Net Debt : EBITDA 2.4x (on actual 1H annualised) or 2.2x on FY24 EBITDA guidance (ADT full period equivalent)
- Working capital impacted by deal closure and transition from former owner's systems. Expected to improve in next six months
- Debt refinanced to TOR & Longreach
- 18-month minimum interest period (approx. 12 months to run)
- July 2026 term date
- Tax losses (\$21.5m at Dec 2023)

Balance Sheet Summary			
		IMG (June 2023)	IMG (Dec 2023)
Cash	\$m	5.3	8.9
Receivables	\$m	3.8	19.0
Inventory	\$m	0.8	4.5
Property, Plant & Equipment	\$m	0.9	23.6
Goodwill	\$m	24.0	47.6
Other Assets	\$m	0.6	12.0
<b>Total Assets</b>	<b>\$m</b>	<b>36.4</b>	<b>119.2</b>
Accounts Payable	\$m	5.9	16.9
Debt	\$m	29.1	75.8
Other liabilities	\$m	3.1	19.0
<b>Total Liabilities</b>	<b>\$m</b>	<b>38.1</b>	<b>111.7</b>
Equity	\$m	-1.7	7.5

\* Mgmt. estimates

\*\* EBITDA excluding restructuring costs and transaction costs

# CASHFLOW OVERVIEW

Pick up in free cashflow masked by the ADT deal and restructuring costs and short-term working capital impacts

- The business generates strong operating cashflow
  - This period included significant deal costs, as expected
  - Cashflow interest reflects the ongoing cost of the new facility with TOR and Longreach from August 2023
  - A significant (+\$5.7M) increase in working capital, which was larger than expected, but reversible
  - Capex of \$7.8 (outside of the acquisition of ADT) relating to priorly committed systems, medical alarm products (\$1.6m), and 4G upgrade units.
  - Post IMG's ownership, all capex now generates a positive return on all investment, and non-medical alarm capex will reduce significantly as the 3G transition concludes.
  
- As expected, with the costs of the ADT transaction and refinancing now realized, IMG expects to generate strong free operating cash flow in the 2H of FY2024.

Cashflow Summary			
		IMG 1H23	IMG 1H24
Underlying EBITDA (ADT 5 months)	\$m	1.7	14.2
Nonrecurring costs*	\$m	-0.4	-3.8
Working Capital	\$m	0.2	-5.7
Interest	\$m	-1.3	-2.4
Tax (payment plan)**	\$m	-1.1	-0.9
Operating Cashflows	\$m	-0.9	1.4
Investing Cashflows	\$m	-2.6	-50.9
Financing Cashflows	\$m	-0.8	53.1
Free cashflow (pre-non-recurring costs and working capital increase, 5 months of ADT)			11.9

• Acquisition, refinancing, and restructuring costs

\*\* ATO payment plan \$1.995m remaining. Significant other tax losses remain

Capex of \$7.8m relating to prior committed systems, medical alarm products, and 3G to 4G upgrades

Cashflow Summary				
		ADT AU	ADT NZ (\$0.94)	ADT Medical
August	\$,000	1038.2	465.7	326.4
September	\$,000	1,343.4	435.3	290.6
October	\$,000	987.9	375.5	373.1
November	\$,000	616.2	87.9	376.7
December	\$,000	367.1	168.6	441.3
Expected monthly Capex Medical	\$,000			340

- Post IMG ownership, except a tail of committed CAPEX, all capital expenditure now generates a positive return for the business (versus the prior ownership model)
- Medical capex is an ongoing feature of the business. Medical revenues are of higher value, and in large part backed by government funding (in NZ in particular).
- The 3G to 4G program will be completed in both countries within the next 12 months and now generates a positive return for IMG.

Financials				
		1H23 Prior to ADT**	1H2024***	On guidance
Market Cap (fully diluted)	\$m	16.6	102.6	102.6
Net Debt	\$m	28.9	<b>66.9</b>	<b>66.9</b>
Enterprise Value	\$m	45.5	169.5	169.5
<b>EBITDA (annualised)*</b>	<b>\$m</b>	<b>5.3</b>	<b>28.2</b>	<b>31.0</b>
EV / EBITDA	X's	8.6	6.0	<b>5.5</b>

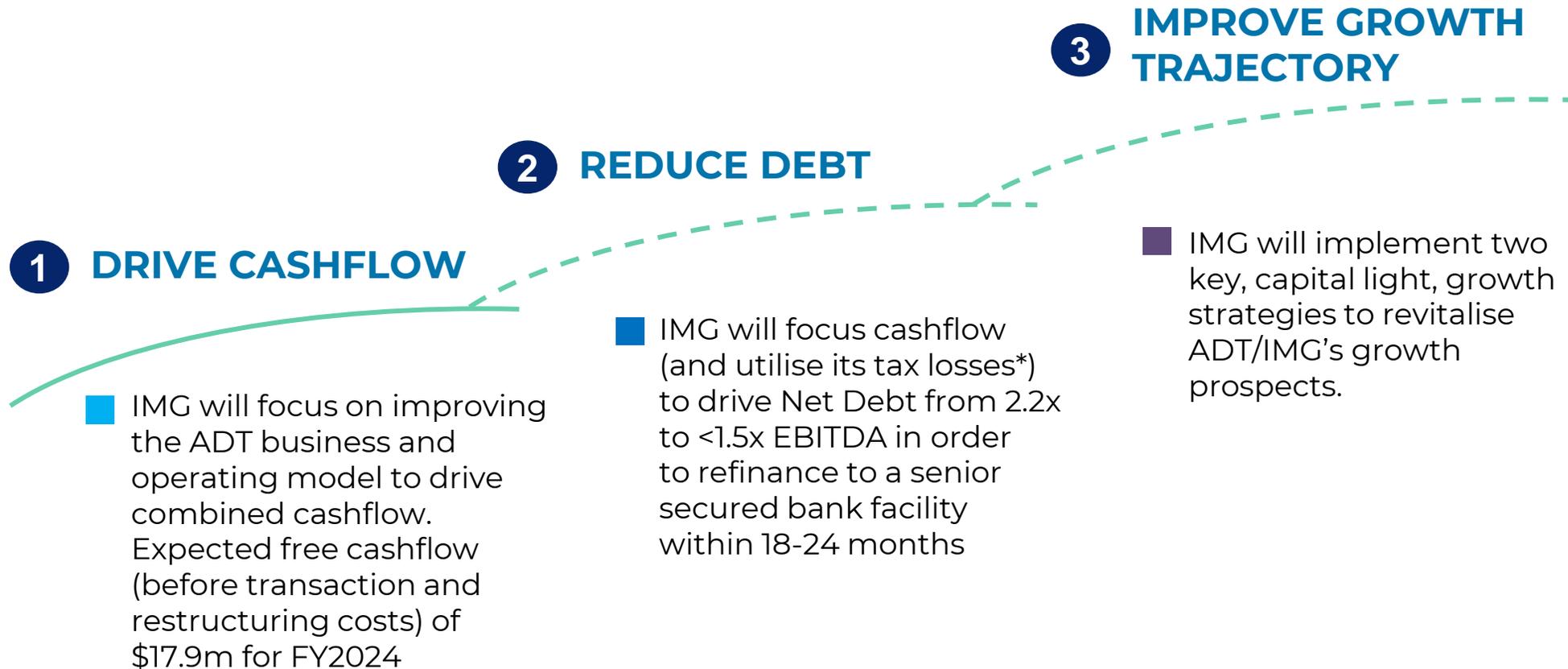
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- ADT contributed \$11.7m EBITDA for 5 months.
- IMS (IMG pre-ADT) delivered an EBITDA in line with a \$6m annualised rate in December 2023.
- **Market value 36% behind valuation (at 5.5x expected EBITDA versus 8.6x) of this time last year**

\* EBITDA excluding restructuring costs, transaction costs and including targeted FY24 cost improvements

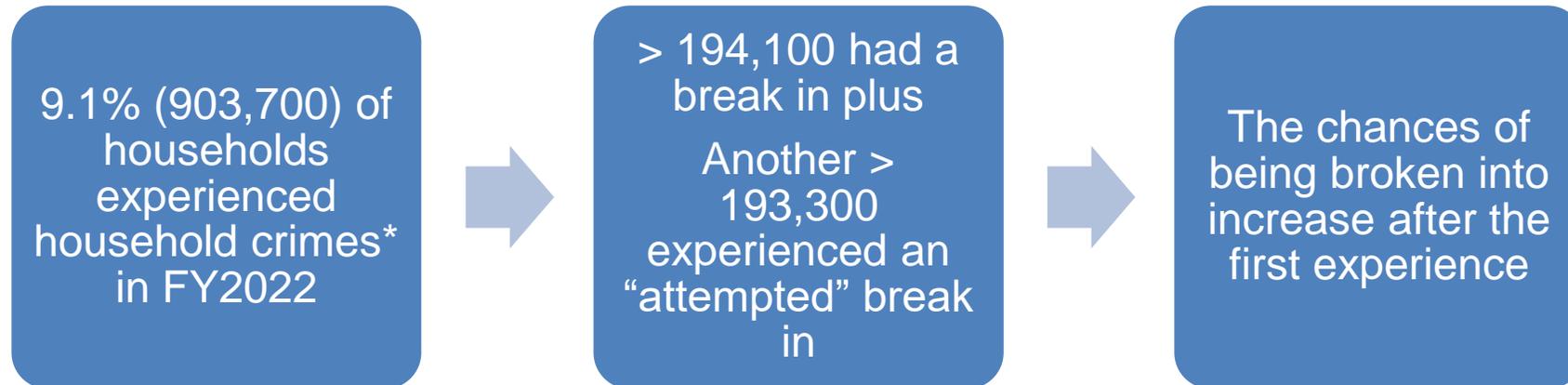
\*\* \$0.127cps equity value (27 Feb 2023)

\*\*\* \$0.38cps equity value



\* Tax losses of \$21.5m as at FY2022

In 2022 – household crime rates increased, for the first time in a decade.



\* Household crime = Break in, attempted break in, motor vehicle theft, or theft from a vehicle, or malicious property damage

## SHIFT OF EMPHASIS FOR RESIDENTIAL INSTALLATIONS



- Currently, the ADT business largely resells wired security panels
- IMG has identified several more cost-effective white-label products for DIY install
- This has been a key driver of market growth in the US in the past five years, yet to hit Australia

## RE-COMMENCEMENT OF COMMERCIAL INSTALLATIONS



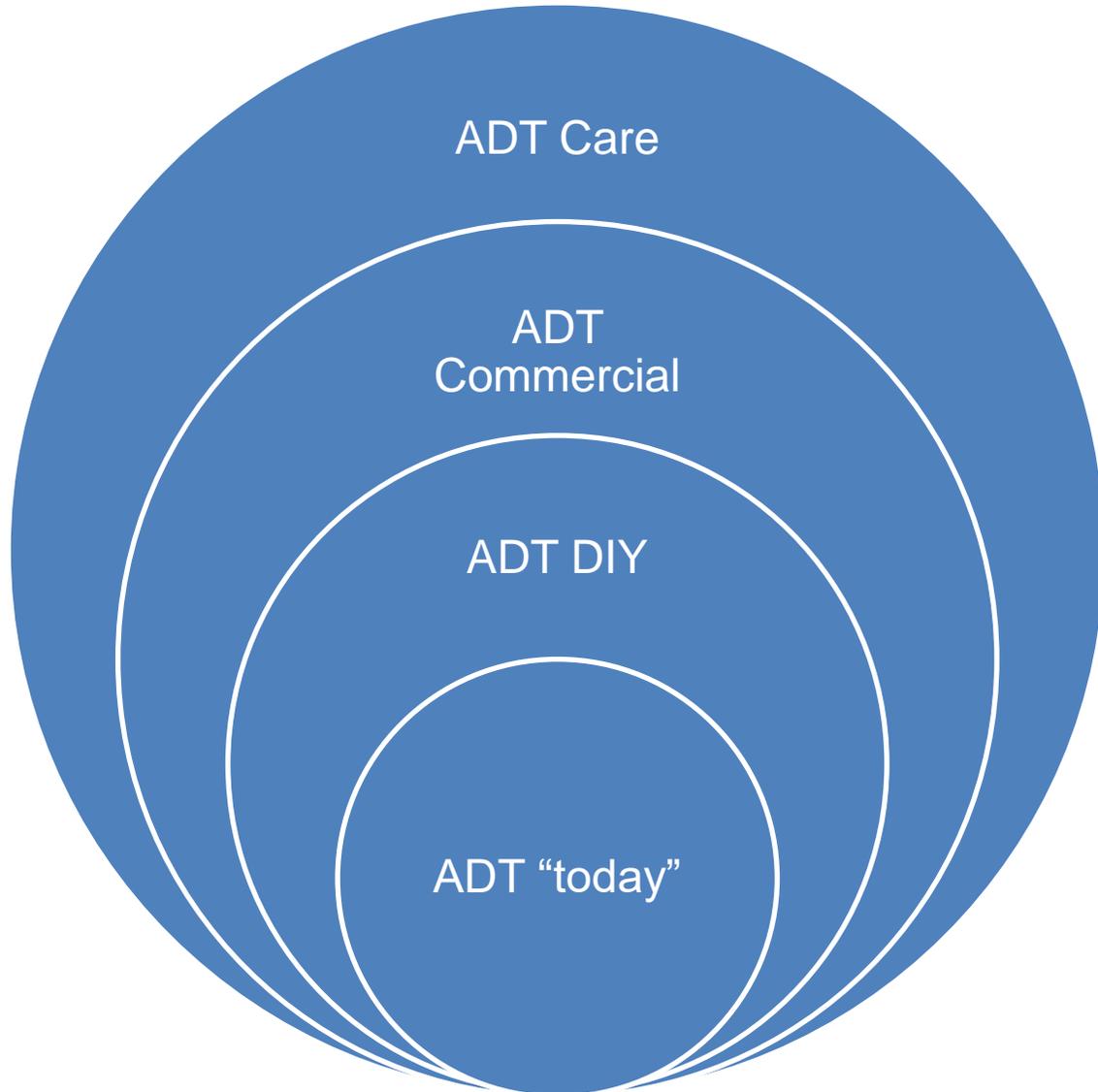
- In late 2020, ADT exited commercial security installations.
- ADT currently has c. 4k remaining commercial customers
- IMG has re-commenced marketing/sales for new commercial customers

## FOCUS ON COST BASE AND SIMPLIFICATION OF BUSINESS



- Immediate cost synergies have been identified and pursued
- The prime savings expected will come from unwinding to a focused single service provider off the shared costs of a former global multinational business owner

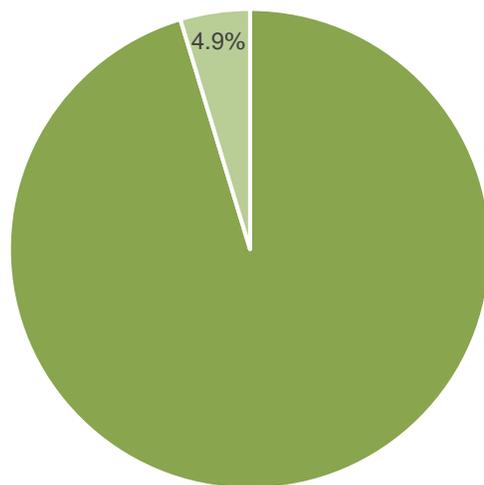
# IMG HAS IDENTIFIED THREE SIGNIFICANT GROWTH AREAS



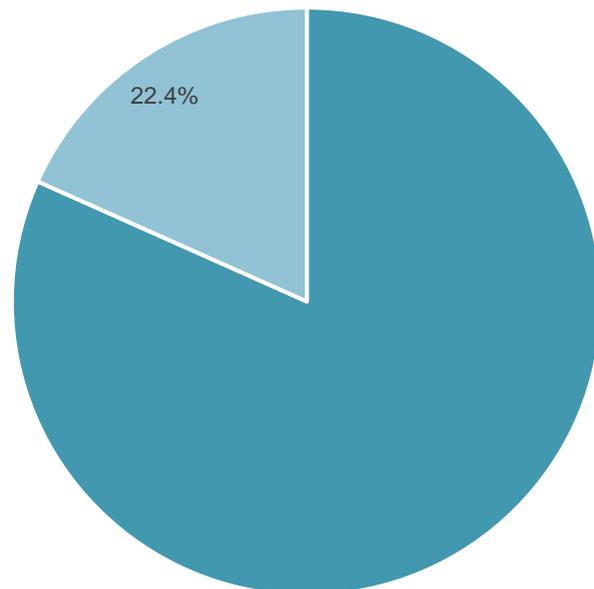
ADT Today	~\$145m Revenue	Key Assumptions
DIY potential	\$350m annual revenue potential	DIY penetration is 40% of Foxtel subscriber base, with ADT attracting 50% of the market
ADT Commercial	\$120m annual revenue potential	Prior peak of ADT commercial business (in 2013) prior to wind down
ADT Care	\$75m annual revenue potential	10% market share of Home care, Retirement and Nursing Home market (note: market growing at 7.2%pa through to 2058)
ADT NZ	\$100m annual revenue potential	Same assumptions per ADT commercial, DIY and Care for NZ

# SIGNIFICANT GROWTH AREA #1 – RESIDENTIAL: DO IT YOURSELF

## Professionally Monitored Security Penetration of Homes and Businesses (North America versus Australasia)



Australia (Sept 2022)



US (2021)

Sources: ADT (Sept 2022) & IMG (May 2023) Line counts, Australian alarm counts as at October 2022, ABS, NZ Census, NZ Companies Office, Berginsight.com

- Australian penetration of monitored alarms has essentially grown at the rate of physical housing formation
- The US experience has been different. With the penetration of monitored lines >3x Australia currently.
- The difference has come through the introduction of do-it-with-me and do-it-for-me alarm installation kits.
- This has significantly lowered the upfront cost of a home security system at a time where the functionality has improved markedly, towards being a full home automation system.

**Every additional +1% of market penetration equals approx. +\$45m of Annual Recurring Revenue**

# DO-IT-YOURSELF SECURITY HAS ARRIVED



FROM THIS

**RRP = \$2,729**

**Install time = up to 2 months**

Kit includes Security Panel, 1 Motion sensor, 1 Door/Window sensor, 1 Video Doorbell

TO THIS

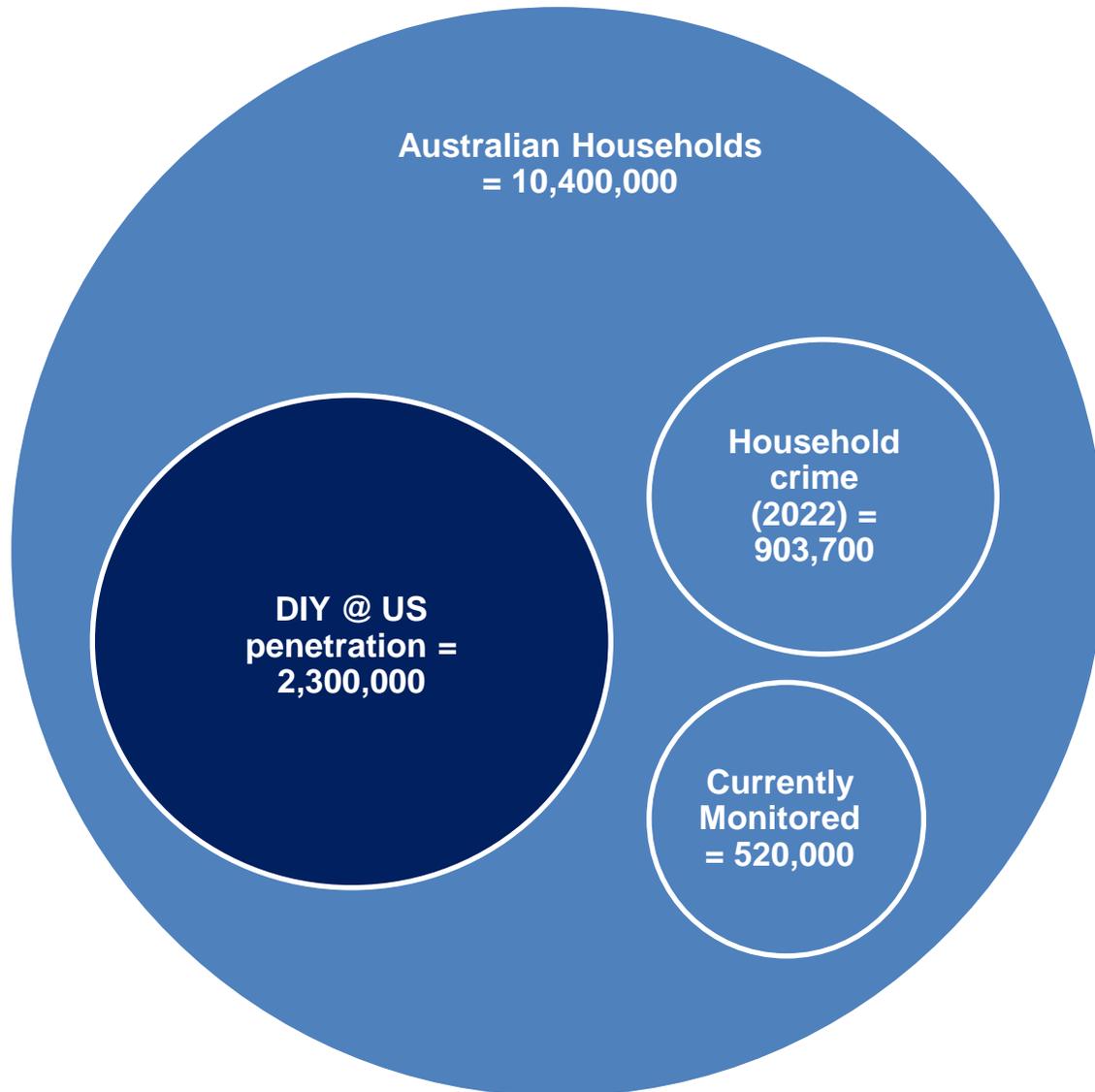
**RRP = \$1,499**

**Signup to Shipping = 3 to 4 days**

Kit includes Security Panel, 2 Motion sensors, 2 Door/Window sensors, 1 Video Doorbell

- Faster
- Better platform
- Nearly 100% better value

# ADDRESSABLE MARKET OPPORTUNITY IS LARGE

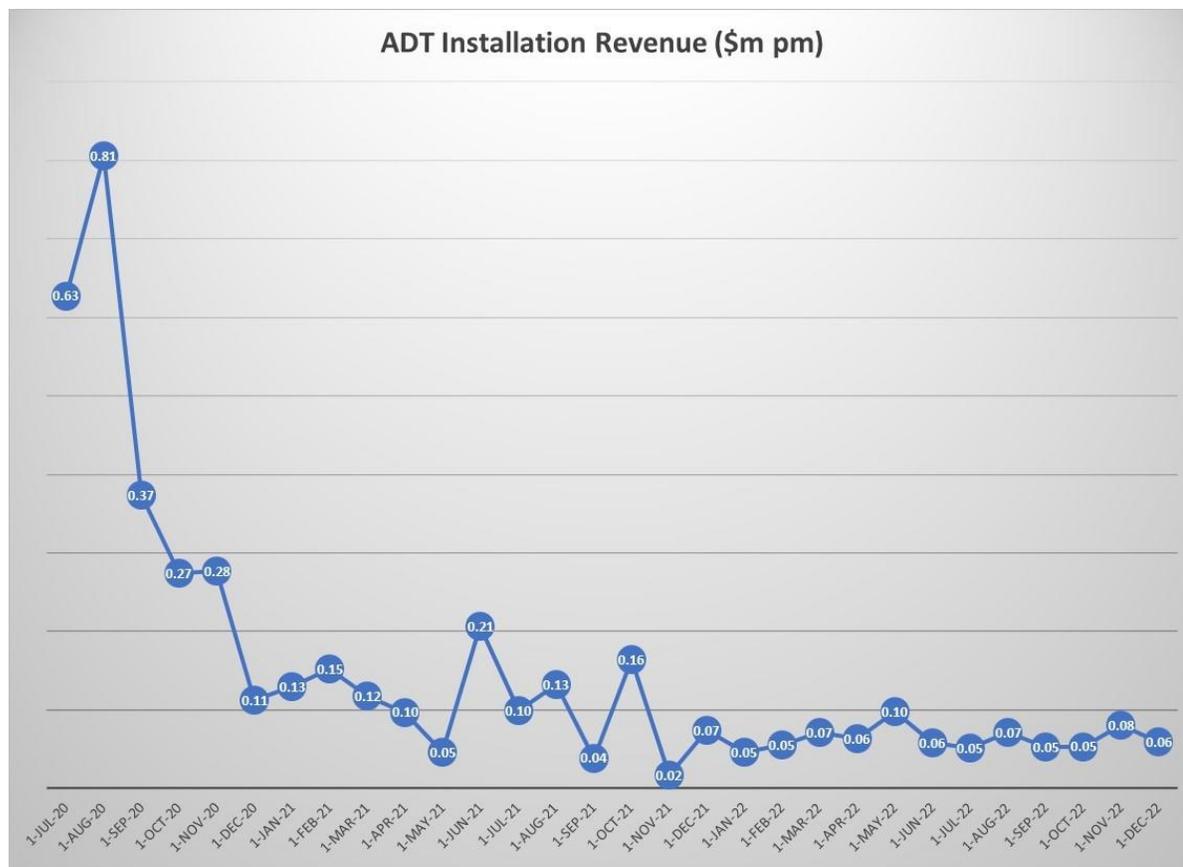


- Household crime in Australia has begun to trend up since the end of COVID with 9.1% of households experiencing crime, from 8.8% in 2021.
- Only 520,000 houses in Australia have “back to base” monitored security, with approximately only 80% of this provided by an “A” graded, 24-hour, 7-day-a-week control room.
- With the advent of Wifi and Cellular connection reducing the need to “wire” premises, the equivalent penetration in the US (Adjusted for Australian population size) would be 2,300,000 households (or a monitored market of 2,820,000 in total).

**Every additional +1% of market penetration equals approx. +\$45m of Annual Recurring Monitoring Revenue to the industry**



# SIGNIFICANT GROWTH OPPORTUNITY #2 – COMMERCIAL: BRINGING ADT BACK

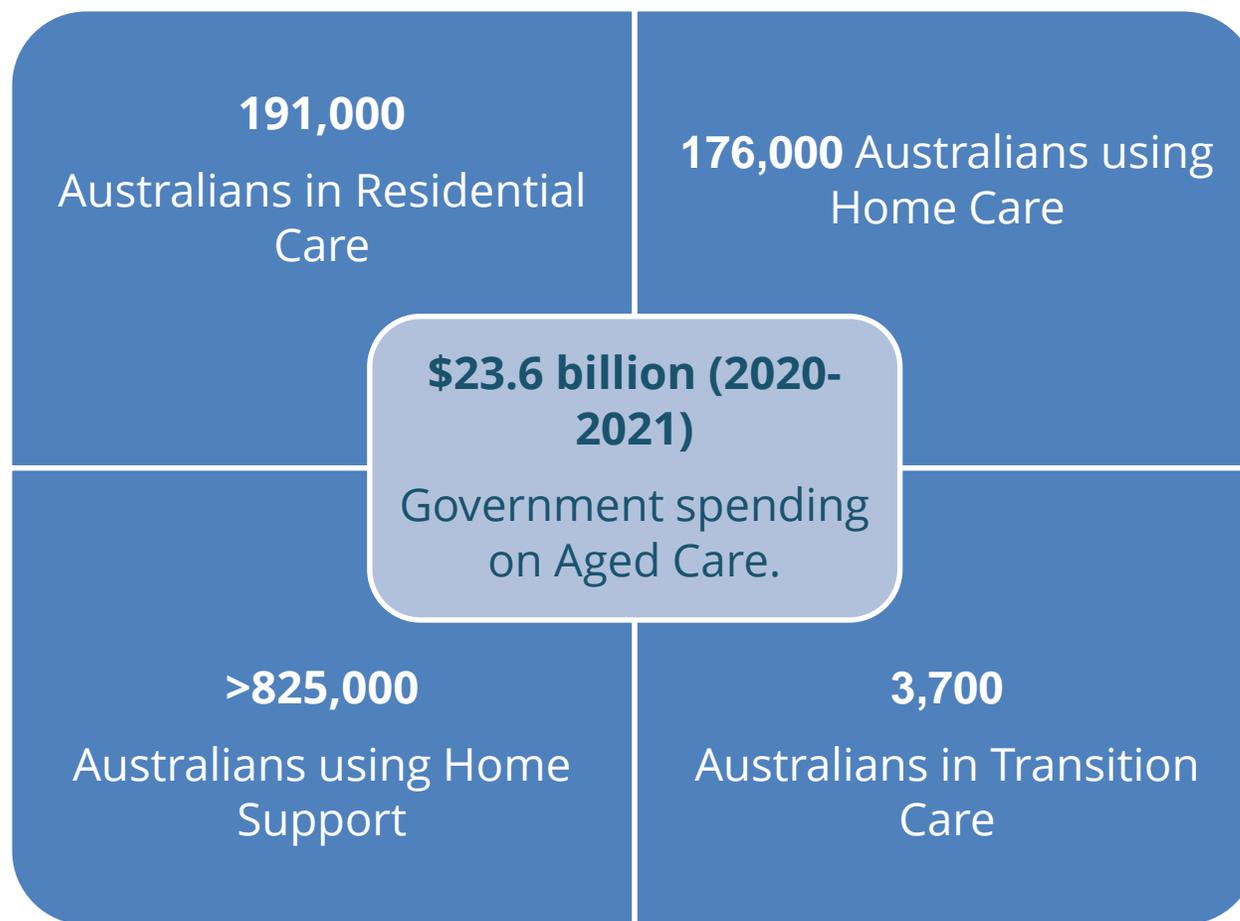


Sources: ADT financials

- IMG has rebooted the commercial installation and service business of ADT which is expected to contribute significantly to monitoring and group revenue from FY24 onwards.
- ADT on acquisition had c. 4,000 large commercial customers.
- In the last full year of ADT Commercial (in wind down) the business contributed >\$30m of revenue.

**At its peak, ADT Commercial contributed \$120m of revenue (2012-2013).**

# SIGNIFICANT GROWTH OPPORTUNITY #3 – ADT CARE (NEW GROWTH AREA)



- IMG has created a standalone division inside ADT Australia – “**ADT Care**”
- It will run separately from the ADT security monitoring centre (on Patriot) and focus on stand-alone “care” operating procedures.
- ADT Australia has employed three dedicated sales staff in the past three months to focus on the expected growth opportunities.
- It is focused on bringing “next-gen” quality of care and service to the aged care and aging market
- This market is currently 2/3<sup>rd</sup> the size of the monitored security industry by user numbers but will surpass it significantly in the next five years, and continue to grow at a forecast 7.2% until 2052

# INVESTMENT THESIS:

Industry leader with strong balance sheet and focused deleveraging strategy



\* Expected free cashflow before transaction and restructuring costs for FY2024

# SUMMARY: COMPANY TRANSFORMED DURING 2023

Largest security monitoring company in Australasia

	Customers	EBITDA	Market Cap	Net Debt	ND:EBITDA	EV:EBITDA
<b>1H 2023 (Pre ADT)</b>	~70,000	\$5.3m Proforma annualised	\$16.6m (SP = \$0.127cps)	\$28.9m (1-year left)	>5.0x	8.6x
<b>Now (1H24)</b>	~180,000 (+25,000 fire lines =>200,000)	Target \$29.8m FY23 (11 months with ADT - \$31m annualised)	\$102.6m (SP = \$0.38cps)	\$67m (3-year term)	2.2x	5.5x
<b>2021 Target (for 2025)</b>	~150,000	Target: \$15m			2-3x	~10x EBITDA
<b>Status</b>						

# SIGNIFICANT PROGRESS IN THE FIRST FIVE MONTHS OF ADT

IMG is executing in a focused fashion

ADT acquisition  
being bedded  
down

Focusing on  
delivering  
expectations

Looking to  
accelerate  
growth through  
2HCY2024

## Rod North

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Email: [rod@boursecommunications.com.au](mailto:rod@boursecommunications.com.au)

## Dennison Hambling

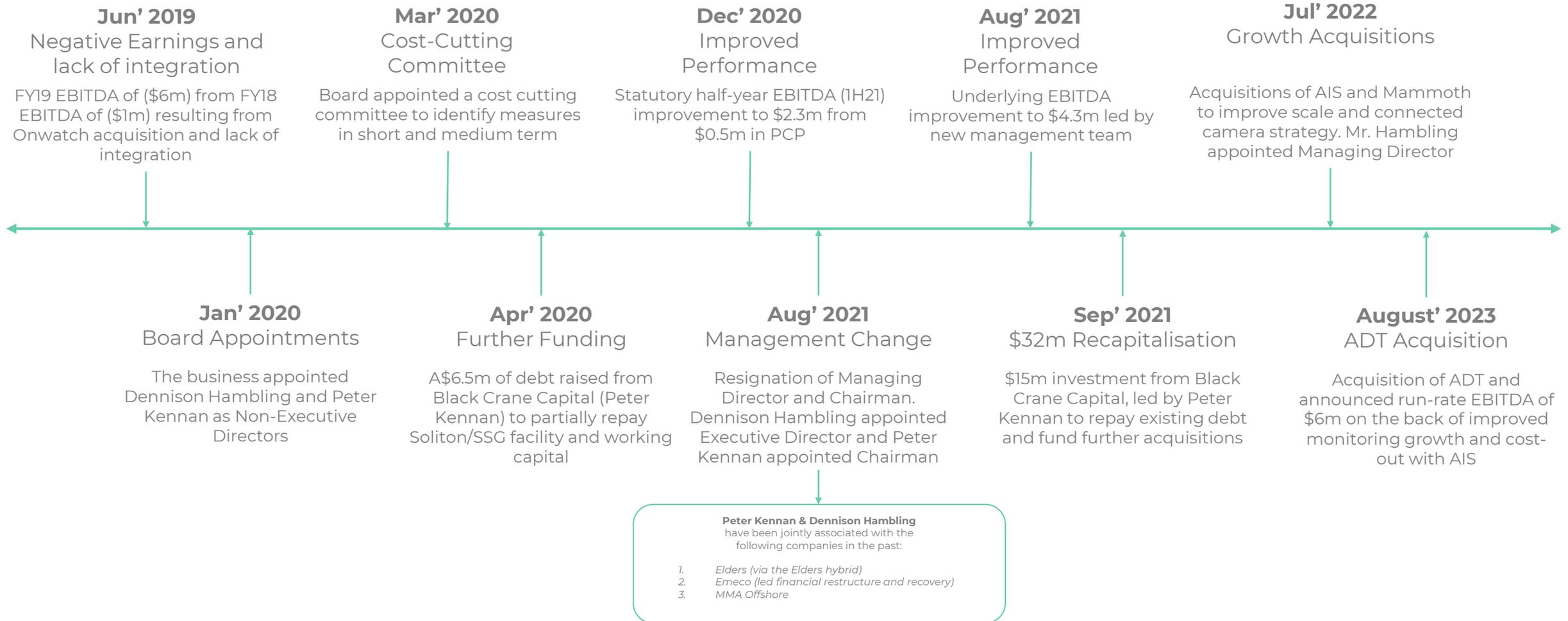
Email: [dhambling@theimg.com.au](mailto:dhambling@theimg.com.au)



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# IMG TIMELINE

Dennison Hambling and Peter Kennan have led the wholesale turnaround of IMG's performance



# EXPERIENCED BOARD AND EXECUTIVE TEAM



**DENNISON HAMBLING**  
Managing Director

Joined Jan 2020,  
Executive Director August 2021

Significant experience in direct investment and rebuilding companies

\* Owns 4.6m shares with performance shares of 5.1m subject to hurdles and tenure



**PETER KENNAN**  
Non-Executive Chairman

Joined Jan 2020,  
Chairman Effective July 2021

Founder of Black Crane and has significant experience in investing and assisting turnaround companies

\* Owns & represents 137m shares, pre-entitlement offer



**ROB HILTON**  
Non-Executive Director

Joined 2022

Founder – The Promotions Factory (est, 1988) now TPF Group

\* Owns 8.5m shares



**Jason Elks**  
Non-Executive Director

Joined Dec 2022

Significant experience in corporate improvement and aligning values of staff to business

Material improvement achievements include: New Century Mine and Rio Tinto Canada