



Coffee Microcaps Presentation – Growth platform

March 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.



~>450

Employees in IMG group, working across Australasia

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 – platform created

- 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 | -3.9 | |
| 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.

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 |
| Total Assets | \$m | 36.4 | 119.3 |
| Accounts Payable | \$m | 5.9 | 16.9 |
| Debt | \$m | 29.1 | 75.8 |
| Other liabilities | \$m | 3.1 | 19.0 |
| Total Liabilities | \$m | 38.1 | 111.7 |
| Equity | \$m | -1.7 | 7.5 |

* Mgmt. estimates

** EBITDA excluding restructuring costs and transaction costs

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 \$6.7 (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 | 0.6 | 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 |

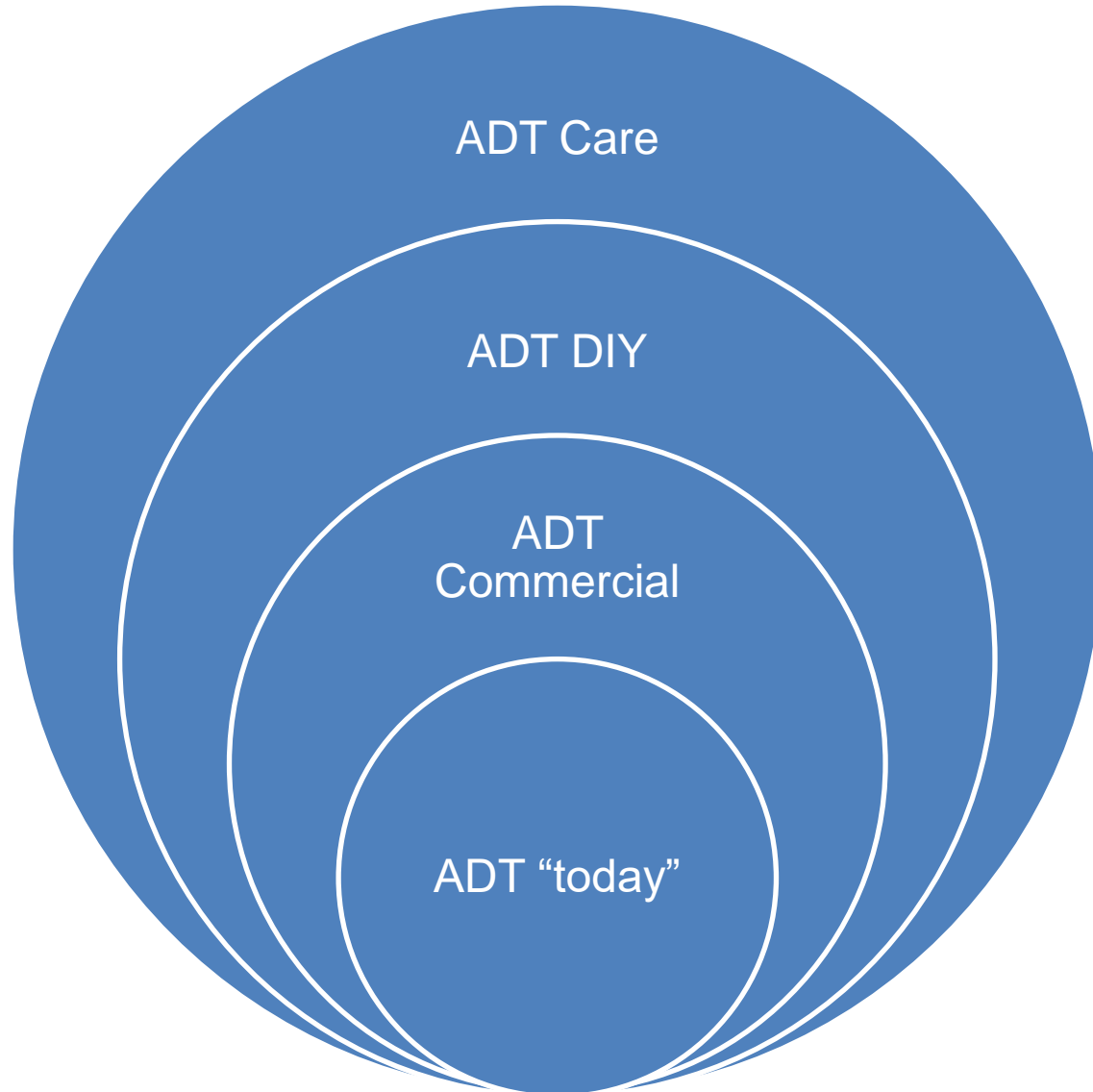
• Acquisition, refinancing, and restructuring costs

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

The platform is now created: The valuable IMG platform is now in place to deliver a growth strategy

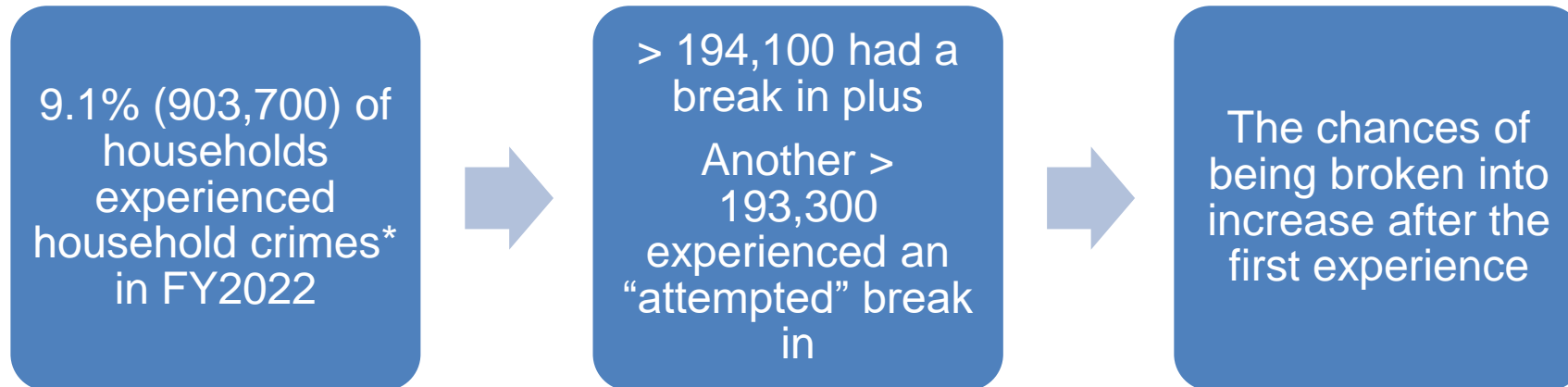
Growth and consolidation are now the focus: Three key growth segments for the business to pursue organically, and potentially with selective acquisitions.

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 (current mkt US\$3.2b) | 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 |

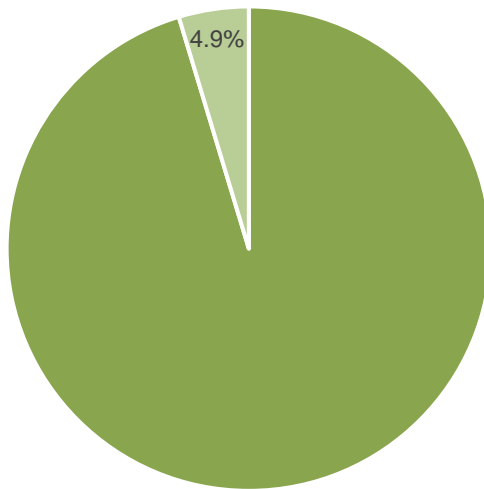
In 2022 – household crime rates increased, for the first time in a decade.



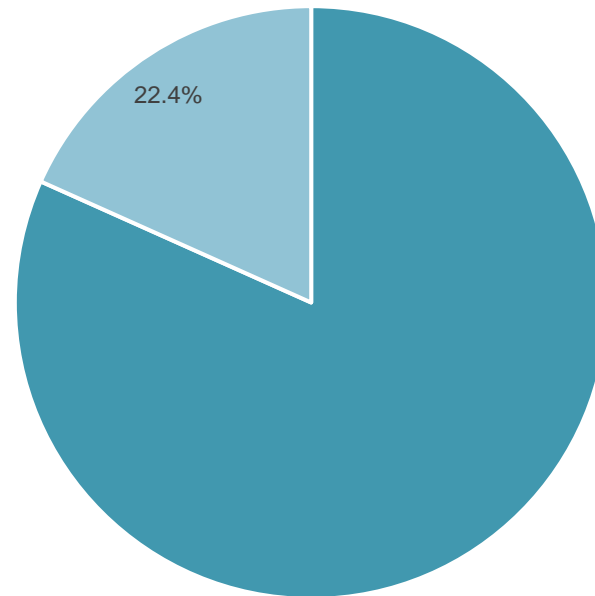
* Household crime = Break in, attempted break in, motor vehicle theft, or theft from a vehicle, or malicious property damage

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

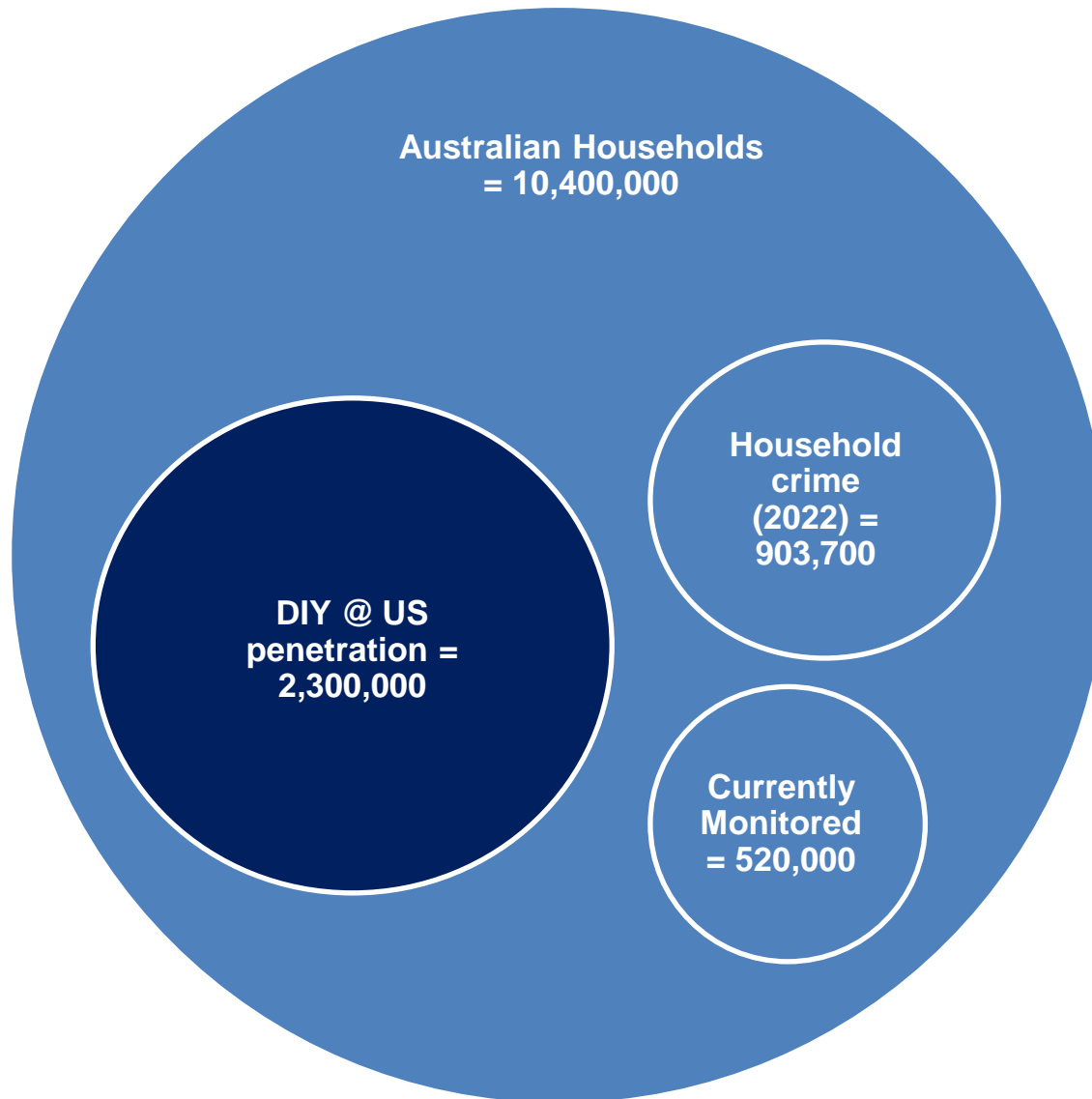
Signup to Shipping = 3 to 4 days

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

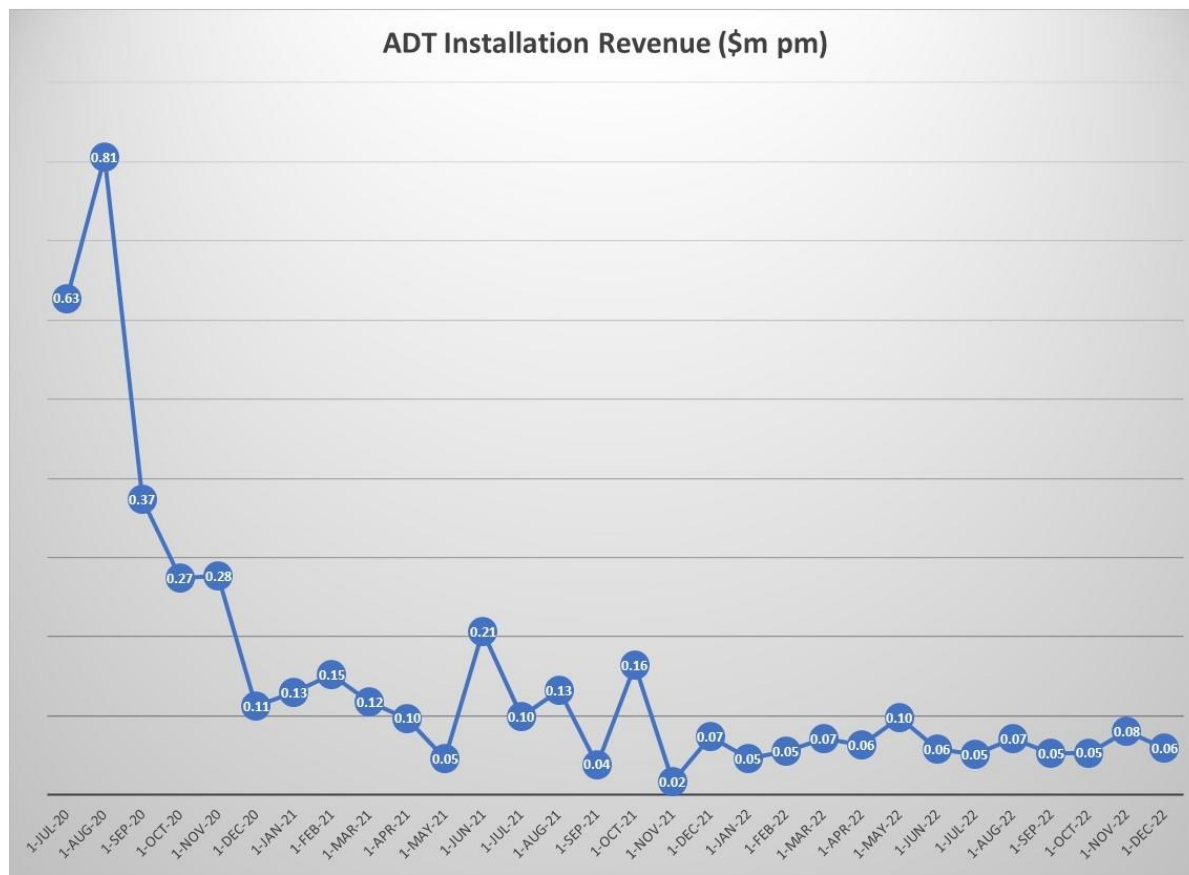


- Household crime in Australia has begun to trend up since the end of COVID with 9.1% of households experiencing crime, from 8.8% in 2021.
- Only 520,000 houses in Australia have “back to base” monitored security, with approximately only 80% of this provided by an “A” graded, 24-hour, 7-day-a-week control 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

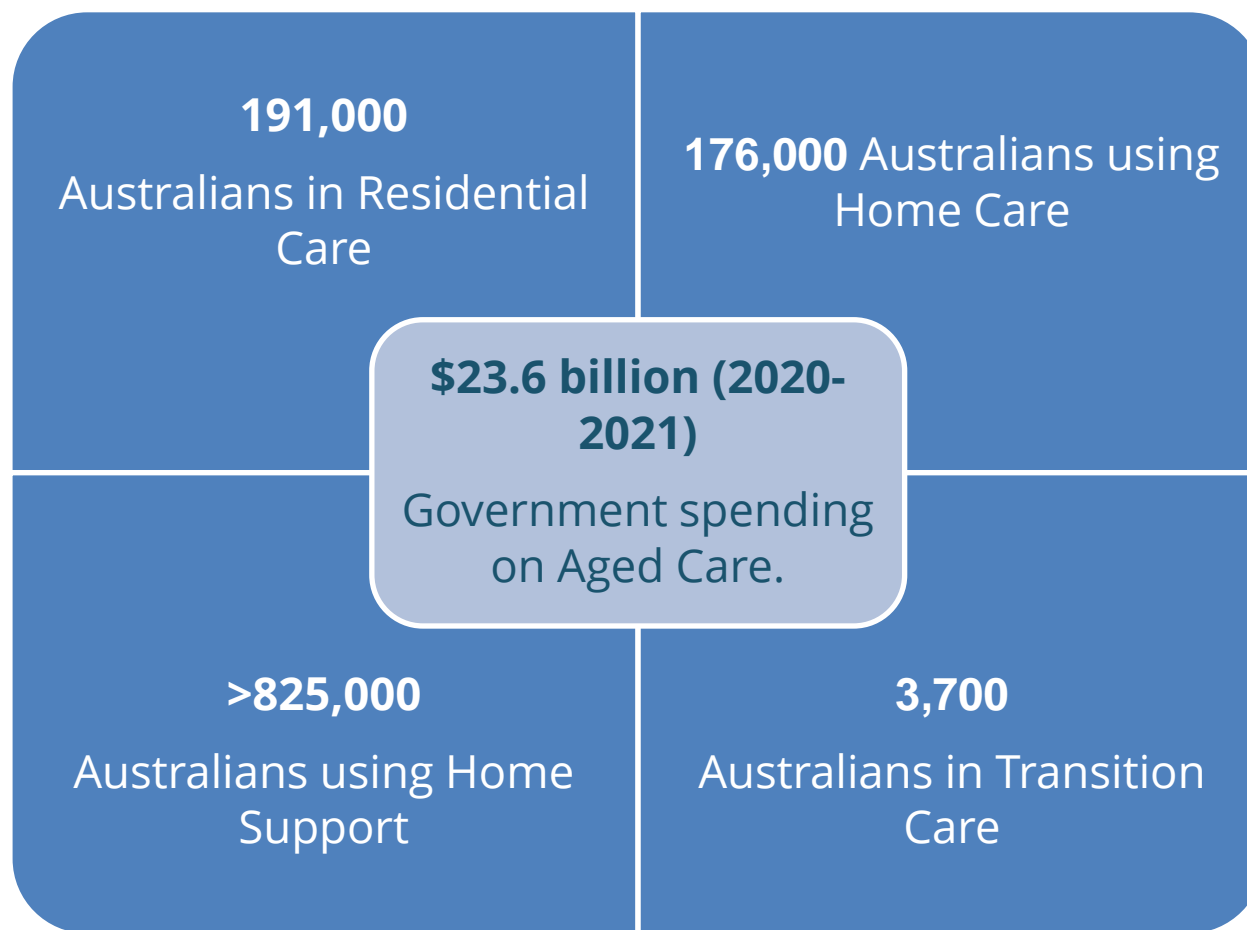


Sources: ADT financials

- 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.
- The current market size for Commercial security is estimated to be A\$4.9b and expected to grow at 10% pa – due to increased crime, increase in construction industry, use of IP cameras, increasing fire regulations, and lot based security systems.

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 2/3rd 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 per the ADT Acquisition market announcement

SUMMARY: COMPANY TRANSFORMED DURING 2023

Largest security monitoring company in Australasia

| | Customers | EBITDA | Market Cap | Net Debt | ND:EBITDA | EV:EBITDA |
|------------------------------|---|--|---------------------------|-----------------------|-----------|-------------|
| 1H 2023 (Pre ADT) | ~70,000 | \$5.3m Proforma annualised | \$16.6m (SP = \$0.127cps) | \$28.9m (1-year left) | >5.0x | 8.6x |
| Now (1H24) | ~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 |
| 2021 Target (for 2025) | ~150,000 | Target: \$15m | | | 2-3x | ~10x EBITDA |
| Status | ✓ | ✓ | ✓ | ✓ | ✓ | ✗ |

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