



verisure
SMART ALARMS



VERISURE MIDHOLDING AB (PUBL)

INTERIM REPORT
JANUARY– MARCH 2020

Management's Discussion and Analysis of Financial Condition and Results of Operations

Key operating highlights for the first quarter ending March 31, 2020 and 2019

Verisure Midholding Group, hereafter referred to as the Group, is the leading provider of professionally monitored smart alarms for residential households and small businesses in Europe. We offer premium alarm services to our portfolio of over 3.4 million customers in 16 countries in Europe and Latin America. We have a strong track record of quality growth, primarily delivered organically by our differentiated business model with high share of recurring revenues (>80%) and industry leading retention.

Most of the countries in our footprint have been affected in the course of March by the global spread of COVID-19. The Group has taken swift actions to minimize the impact of the pandemic on the health and safety of our people, while ensuring business continuity to protect our customers against intrusion, fire, life-threatening emergencies and other hazards without interruption. Considering this exceptional external environment, the Group delivered a strong operational and financial performance in the first quarter of 2020, with 11% (13% in constant currencies) growth in total revenues vs. Q1 2019 and 16% (19% in constant currencies) increase in portfolio services EBITDA.

Summary of first quarter 2020 financials:

- Total reported revenues amounted to EUR 511.0 million for the first quarter 2020 which is an increase of 11.4% from EUR 458.6 million the same period last year. Adjusted for currency effects, total reported revenue grew by 13.6% in the quarter. Portfolio services revenues, representing 82.5% of total Group revenues, grew by 13.8% to EUR 421.1 million. In constant currencies portfolio services revenues grew by 16.4%.
- Total reported adjusted EBITDA amounted to EUR 185.5 million in Q1 2020 compared to EUR 179.7 million in Q1 2019. Total adjusted EBITDA, before SDI, improved to EUR 193.4 million from EUR 185.6 million in Q1 2019, which is an increase of 4.2% in actual currencies and 6.2% in constant currencies for the quarter. Compared to Q1 2018 total reported EBITDA has improved by 36.4% (27.6% excluding impact from IFRS 16).
- Portfolio adjusted EBITDA improved to EUR 295.0 million from EUR 253.7 million in Q1 2019, corresponding to an increase of 16.3%. Adjusted for currency effects, portfolio adjusted EBITDA improved by 18.7% in the quarter. Portfolio services adjusted EBITDA margin further strengthened to 70.1% from 68.5% in Q1 2019, an increase of 1.6 percentage points compared to same period in 2019.
- ARPU improved to EUR 41.4 which is an increase of 1.9% adjusted for currency effects vs. prior year. EPC accelerated further to EUR 29.0 for the quarter, corresponding to an increase of 4.1% adjusted for currency effects, driven by continued value improvements and good development in operational efficiency and cost control.
- After a very strong start of the quarter, the various degrees of social distancing and confinement measures implemented in most of the countries where we operate have hindered our ability to recruit new customers in March. As a result, the growth in new customer addition has decelerated to 141,881, compared to 145,201 in Q1 2019, which in turn has mechanically put short-term pressure on cash cost per acquisition (CPA).
- Net subscriber growth was 83,346 in the quarter compared to 96,211 in Q1 2019 and 79,811 in Q1 2018. At the end of the quarter the portfolio had grown to 3,430,058 customers, up more than 400,000 customers or 13.3% in a year. This annual customer portfolio growth rate of 13.3% was all organic portfolio growth and close to the growth rate in Q1 2019 (13.6%) and Q1 2018 (13.1%).

While we have delivered a strong operating and financial performance so far this year, consistent with our past track record of predictable quality portfolio growth, the COVID-19 situation is introducing a higher degree of uncertainty. We consider ourselves fortunate to have a subscription-based portfolio that has shown very strong resilience. So far, we have not seen a material impact from COVID-19 on attrition rates. We are taking steps to ensure operational and financial performance and flexibility in our Customer Acquisition segment as we expect the sales environment to continue to be challenging for a period. We have improved cash flow from operating activities by 11% after a strong 2019 and we generated positive net free cash flow in Q1 2020. As earlier communicated in April, the company also issued a EUR 200 million bond to repay our drawn RCF.

We remain optimistic for the medium and long term, even if the external environment will be challenging for a period. We have a very resilient business model, and the fundamental customer need for security and peace of mind is not expected to reduce. We believe that the need will continue to increase in the future, against the backdrop of low penetration of home security in our geographies.

Key figures

EUR thousand (if not otherwise stated)	Jan-Mar 2020	Jan-Mar 2019
Portfolio services segment:		
<i>Unaudited operating data</i>		
Total subscribers (year-end), units	3,430,058	3,027,674
Cancellation, units	58,535	48,280
Attrition rate (LTM)	6.4%	6.2%
Net subscriber growth, units ¹	83,346	96,921
Subscriber growth rate, net	13.3%	13.6%
Average monthly revenue per user (ARPU), (in EUR)	41.4	41.5
Monthly adjusted EBITDA per subscriber (EPC), (in EUR)	29.0	28.4
<i>Non-IFRS and IFRS financial data</i>		
Portfolio services revenue ²	421,085	370,176
Portfolio services adjusted EBITDA	295,022	253,727
Portfolio services adjusted EBITDA margin	70.1%	68.5%
Customer acquisition segment:		
<i>Unaudited operating data</i>		
New subscribers added (gross)	141,881	145,201
Cash acquisition cost per new subscriber (CPA), (in EUR)	1,406	1,169
<i>Non-IFRS and IFRS financial data</i>		
Customer acquisition revenue ²	79,087	83,261
Customer acquisition adjusted EBITDA	(97,226)	(68,515)
Customer acquisition capital expenditures	102,273	101,155
Adjacencies segment:		
<i>Non-IFRS and IFRS financial data</i>		
Adjacencies revenue ²	10,790	5,130
Adjacencies adjusted EBITDA	(4,427)	436
Consolidated:		
<i>Unaudited operating data</i>		
Payback period (in years)	4.0	3.4
<i>Non-IFRS and IFRS financial data</i>		
Revenue ²	510,962	458,567
Organic revenue growth	13.9%	20.3%
Adjusted EBITDA	193,370	185,648
Adjusted EBITDA margin	37.8%	40.5%
Capital expenditures	144,124	135,733
Reported (including SDI)		
Reported revenue ²	510,962	458,567
Reported adjusted EBITDA	185,491	179,733

1) Differences in reconciliation with end of period subscriber data are primary due to acquisition and disposal of contract portfolios.

2) IFRS financial data

Analysis of Operating Results

The information presented and discussed in this report includes a number of measures that are not defined or recognized under IFRS including CPA, ARPU, EPC and Adjusted EBITDA. These are considered to be key measures of the Group's financial performance and as such have been included here to enhance comparability and usefulness. CPA is the net investment to acquire a new customer. ARPU and EPC reflect the monthly revenues and adjusted EBITDA per customer in the portfolio segment. Adjusted EBITDA, being earnings before interest, tax, write offs, depreciation and amortization, excluding separately disclosed items (SDI), is considered by management to give a fairer view of the year-on-year comparison of financial performance. SDI's are costs or income that have been recognized in the income statement which management believes, due to their nature or size, should be disclosed separately to give a more comparable view of the year-on-year financial performance. All SDIs are further explained later in this section.

Three months ending March 31, 2020 and 2019

Results excluding SDI

EUR million	Jan-Mar 2020	Jan-Mar 2019	Percentage change
Revenue	511.0	458.6	11.4%
Operating expenses	(318.9)	(274.7)	16.1%
Other income	1.3	1.7	(26.8)%
Adjusted EBITDA	193.4	185.6	4.2%
Adjusted EBITDA margin, %	37.8%	41.0%	-
Depreciation and amortization	(67.1)	(53.0)	26.7%
Retirement of assets	(20.2)	(18.0)	12.2%
Operating profit	106.0	114.7	(7.5)%
Operating profit margin, %	20.8%	25.0%	-
Interest income and cost	(55.2)	(51.9)	6.4%
Other financial items	(0.7)	(0.7)	1.2%
Result before taxes and SDI	50.1	62.1	(19.3)%

Revenue

The following tables show the split of our revenue by market segment:

Results excluding SDI

EUR million	Jan-Mar 2020	Jan-Mar 2019	Percentage change
Revenue by segment			
Portfolio services	421.1	370.2	13.8%
Customer acquisition	79.1	83.3	(5.0)%
Adjacencies	10.8	5.1	110.3%
Total	511.0	458.6	11.4%

Total revenue in the first quarter 2020 increased by 11.4%, or EUR 52.4 million, to EUR 511.0 million, up from EUR 458.6 million in the prior period. Organic revenue growth was 13.9%, primarily due to the increasing customer base. The customer base on March 31, 2020 was 3,430,058, an increase of more than 400,000 customers or 13.3% from 3,027,674 on March 31, 2019.

Revenue for portfolio services in the first quarter 2020 increased by 13.8%, or EUR 50.9 million, to EUR 421.1 million, up from EUR 370.2 million in the previous period. The increase was primarily due to the increased number of customers.

Revenue for customer acquisition in the three months ending March 31, 2020, amounted to EUR 79.1 million, which is a decrease of 5.0%, or EUR (4.2) million, compared to EUR 83.3 million in the prior period. The decrease was mainly due to lower number of new installations compared to the same period last year, relating to COVID-19 impacting many countries from mid-March.

Operating expenses

Operating expenses in the first quarter 2020, increased by 16.1%, or EUR 44.2 million, to EUR 318.9 million, up from EUR 274.7 million in the prior period. The increase was mainly due to the growth in the portfolio.

Adjusted EBITDA

Adjusted EBITDA in the three months ending March 31, 2020, increased by 4.2% or EUR 7.8 million to EUR 193.4 million, up from EUR 185.6 million in the prior period. The increase in adjusted EBITDA was mainly driven by the increased customer base.

Depreciation and amortization

Depreciation and amortization increased to EUR 67.1 million in the three months ending March 31, 2020, up from EUR 53.0 million in the prior period. This is primarily related to the alarm equipment installed at our customers and the capitalized direct cost related to the acquisition of customer contracts. The depreciation and amortization have increased mainly due to the increased number of customers.

Retirement of assets

Retirements of assets increased to EUR 20.2 million in the first quarter of 2020, up from EUR 18.0 million in the prior period. The cost corresponds mainly to the remaining balance for capitalized material and direct costs, when customers are leaving the portfolio or upgrading to our new platform.

Interest income and cost

Interest income amounted to EUR 0.1 million in both Q1, 2020 and 2019. Interest cost amounted to EUR 55.3 million, compared to EUR 52.0 million in the prior period, mainly driven by an increase in debt.

Other financial items

Other financial items, mainly consisting of commitment fee for the Revolving Credit Facility, amounted to a cost of EUR 0.7 million in the both quarter 2020 and 2019.

Reported consolidated income statement for the three months ending March 31, 2020 and 2018

EUR million	Jan-Mar 2020			Jan-Mar 2019		
	Result excluding SDI	Separately disclosed items	Reported	Result excluding SDI	Separately disclosed items	Reported
Revenue	511.0	-	511.0	458.6	-	458.6
Operating expenses	(318.9)	(7.9)	(326.7)	(274.7)	(5.9)	(280.6)
Other income	1.3	-	1.3	1.7	-	1.7
Adjusted EBITDA	193.4	(7.9)	185.5	185.6	(5.9)	179.7
Depreciation and amortization	(67.1)	(39.8)	(106.9)	(53.0)	(38.3)	(91.3)
Retirements of assets	(20.2)	-	(20.2)	(18.0)	-	(18.0)
Operating profit	106.0	(47.7)	58.4	114.7	(44.2)	70.5
Interest income and cost	(55.2)	-	(55.2)	(51.9)	-	(51.9)
Other financial items	(0.7)	(81.9)	(82.6)	(0.7)	0.7	0.0
Result before tax	50.1	(129.5)	(79.4)	62.1	(43.5)	18.6
Income tax benefit and expense	-	-	(6.7)	-	-	(16.0)
Result for the period	-	-	(86.1)	-	-	2.5

Separately disclosed items (SDIs)

SDI affecting operating expenses

SDI affecting operating expenses includes one-off costs related to various transition projects within the Group. It also includes costs related to acquisitions of new businesses, and COVID-19 related exceptional costs. For the first quarter 2020, the costs amounted to EUR 7.9 million and EUR 5.9 million in the same period last year.

SDI affecting depreciation and amortization

The market value of the acquisition-related intangible assets is amortized over the expected life. The main part of the total cost of EUR 39.8 million in 2020 and EUR 38.3 in 2019 relates to amortization of contract portfolio resulting from the acquisition of the Securitas Direct Group in 2011.

SDI affecting other financial items

SDI affecting other financial items was a cost of EUR 81.9 million for the first quarter 2020, compared to an income of EUR 0.7 million for the same quarter 2019. For the three months ending March 31, 2020, the other financial items consist of a negative non-cash FX valuation of debt items and hedges amounting to EUR 103.4 million and a cost related to amortization of prepaid financing fees including an IFRS 9 adjustment regarding modification of loan agreement of EUR 12.4 million. Realized hedges was a positive EUR 33.9 million. For the three months ending March 31, 2019, other financial items consist of a positive non-cash FX valuation of debt items plus market revaluation of hedges in total amounting to EUR 11.6 million, a cost related to amortization and write off of prepaid funding fees including an IFRS 9 adjustment regarding modification of loan agreement of EUR 10.9 million.

Income tax benefit and expense

Total tax cost was EUR 6.7 million in the quarter compared with EUR 16.0 million last year. Current tax expense was EUR 7.0 million in Q1 2020 compared with EUR 12.7 million in 2019. Deferred tax was a benefit of EUR 0.4 million in Q1 2020 compared to an expense of EUR 3.4 million in 2019.

Cash Flow

The following table shows a summary of our cash flow on a historical basis for the three months ending March 31, 2020 and 2019.

EUR million	Jan-Mar 2020	Jan-Mar 2019
Cash flow from operating activities before change in working capital	181.6	175.2
Change in working capital	4.8	(7.7)
Cash flow from operating activities¹	186.4	167.5
Cash flow from investing activities	(146.5)	(180.7)
Cash flow from financing activities ²	14.6	15.9
Cash flow for the period	54.4	2.6
Cash and cash equivalents at beginning of period	12.8	8.6
Translation differences on cash and cash equivalents	(8.2)	0.1
Cash and cash equivalents at end of period	59.0	11.4

1) Cash flow from operating activities is calculated after giving effect to income tax paid.

2) Cash flow from financing activities includes paid interest.

Cash flow from operating activities

Cash flow from operating activities amounted to EUR 186.4 million and EUR 167.5 million for the three months ending March 31, 2020 and 2019 respectively. The increase compared with corresponding period in the previous year is primarily driven by an improvement in working capital.

Cash flow from investing activities

Cash flow from investing activities amounted to an outflow of EUR 146.5 million and EUR 180.7 million for the three months ending March 31, 2020 and 2019 respectively. The decrease mainly relates to the acquisition of non-controlling interest of EUR 45 million in Q1 2019.

Cash flow from financing activities

Cash flow from financing activities totalled an inflow of EUR 14.6 million and an inflow of EUR 15.9 million for the three months ending March 31, 2020 and 2019 respectively. The main elements included net paid interest of EUR 37.1 million compared with EUR 33.0 million in the same period last year where the increase is mainly due to higher indebtedness, a net increase in borrowings of EUR 25.1 million compared with an increase of EUR 55.5 million previous year. Other financial items including paid debt related fees totalled a positive EUR 26.6 million compared to a negative EUR 6.6 million in the same period last year. Current period was positively impacted by realized hedges amounting to 33.9m.

Capital Expenditures

The Group's capital expenditures primarily consist of (i) customer acquisition capital expenditures, which include purchases of equipment for new customers, direct costs related to the acquisition of customer contracts, (ii) portfolio services capital expenditures which relates to new equipment for existing customers, (iii) agencies capital expenditures which includes direct costs related to the acquisition of a new customer contract, and (iv) capital expenditures relating to investments in R&D, IT and premises. In accordance with IFRS, the costs of the alarm equipment installed in connection with newly acquired subscribers are capitalized as tangible fixed assets to the extent we retain ownership of the equipment. The Group also capitalizes direct costs related to the acquisition of customer contracts as intangible fixed assets.

The following table shows a summary of our capital expenditures for the three months ending March 31, 2020 and 2019:

EUR million	Jan-Mar 2020	Jan-Mar 2019
Customer acquisition capital expenditures, material	56.8	53.7
Customer acquisition capital expenditures, direct costs	45.4	47.5
Portfolio capital expenditures	12.8	12.2
Agencies capital expenditures	2.1	2.1
Capital expenditures other	27.0	20.1
Total	144.1	135.7

Capital expenditures were EUR 144.1 million for the three months ending March 31, 2020 and EUR 135.7 million in the prior period. The increase in capital expenditure is mainly due to the increased capitalisation of development cost.

Liquidity, Liabilities and Financing agreements

The primary source of liquidity for our business is cash flow from operations, while our significant uses of cash and capital funding needs are purchases of new equipment, funding our customer acquisition operations, operating expenses, capital expenditures, taxes and amounts due on our debt obligations.

As of March 31, 2020, the Group had a total of EUR 180.3 million of available funds.

EUR million	Mar 2020	Mar 2019	Dec 2019
Revolving Credit Facility	300.0	300.0	300.0
Cash and cash equivalents	59.0	11.4	12.8
Drawn facility amount	(170.0)	(136.2)	(127.0)
Utilized letter of credit	(8.8)	(7.9)	(10.9)
Total available funds	180.3	167.3	174.9

The following table summarizes our total financial indebtedness on March 31, 2020 and 2019.

EUR million	Mar 2020	Mar 2019	Dec 2019
Senior Secured Notes	500.0	300.0	500.0
Term Loan B	3,092.0	3,092.0	3,092.0
Revolving Credit Facility	170.0	136.2	127.0
Senior Unsecured Notes	1,229.2	1,238.7	1,237.9
Other liabilities	40.4	51.3	48.3
Lease liability (IFRS 16)	136.9	128.6	133.9
Total	5,168.6	4,946.8	5,139.1

Risks and uncertainties

A detailed presentation of risks and a sensitivity analysis can be found in the Financial Risk Management section (note 22) and the Risk Factors section of the Verisure Midholding AB's annual report 2019.

Events during the reporting period

In Q1 2020, Cristina Rivas was appointed as Group Chief Technology Officer. Cristina joined Verisure as Technology Director for Iberia and Latin America in 2016 from Vodafone, where she was Head of Group Technology Strategy and Governance, having held several senior positions in Vodafone Spain in customer service, sales and marketing. Before Vodafone, Cristina worked on strategy, marketing and operational efficiency projects across telecommunications, banking and energy at McKinsey. Cristina holds a Master's degree in Telecommunications Engineering from the Universidad Politécnica in Madrid.

Events after the reporting period

On April 16, 2020, the Group raised EUR 200 million of Floating Rate Notes debt to repay outstanding amounts under the Revolver Credit Facility as well as to replenish the Group's cash balance.

Key Operating Metrics

The Group management uses a number of key operating metrics, in addition to IFRS financial measures, to evaluate, monitor and manage our business. The non-IFRS operational and statistical information related to the Group's operations included in this section is unaudited and has been derived from internal reporting systems. Although none of these metrics are measures of financial performance under IFRS, management believes that these metrics provide important insight into the operations and strength of the Group's business. These metrics may not be comparable to similar terms used by competitors or other companies, and from time to time the Group may change our definitions of these metrics. These metrics include the following:

Adjusted EBITDA

Earnings before interests, taxes, depreciation and amortization, write offs and separately disclosed items.

Attrition rate

The attrition rate is the number of terminated subscriptions to our monitoring service in the last 12 months, divided by the average number of subscribers for the last 12 months.

Average Revenue per user

Average monthly revenue per user ("ARPU") is our portfolio services segment revenue, consisting of monthly average subscription fees and sales of additional products and services divided by the monthly average number of subscribers during the relevant period.

Cancellations

Total number of cancelled subscriptions during the period including cancellations on acquired portfolios.

Cash acquisition cost per new subscriber

Cash acquisition cost per new subscriber ("CPA") is the net investment required to acquire a subscriber, including costs related to the marketing and sales process, installation of the alarm system, costs of alarm system products and overhead expenses for the customer acquisition process. The metric is calculated net of any revenues from installation fees charged to the subscriber and represents the sum of adjusted EBITDA plus capital expenditures in our customer acquisition segment on average for every subscriber acquired.

Monthly adjusted EBITDA per subscriber

Monthly adjusted EBITDA per subscriber ("EPC") is calculated by dividing the total monthly adjusted EBITDA from managing our existing subscriber portfolio (which is our adjusted EBITDA from portfolio services) by the monthly average number of subscribers.

Net Debt

The sum of financial indebtedness, defined as interest bearing debt from external counterparties, excluding accrued interest less the sum of available cash and financial receivables.

New subscriber added (gross)

Total number of new subscribers added.

Organic revenue growth

Revenue growth not affected by acquisitions or the impact of foreign exchange.

Payback period

Payback period represents the time in years required to recapture the initial capital investment made to acquire a new subscriber and is calculated as CPA divided by EPC, divided by 12.

Retirement of assets

The residual values of an asset that will no longer be used in the operations are recognized as a cost in the income statement.

Subscriber growth rate

Number of subscribers at end of period divided with number of subscribers 12 months ago.

Unaudited Consolidated Financial Statements

Consolidated income statements

EUR thousand	Note	Jan-Mar 2020	Jan-Mar 2019
Revenue	3	510,962	458,567
Cost of sales		(275,302)	(236,927)
Gross profit		235,661	221,640
Selling expenses		(71,289)	(62,622)
Administrative expenses ¹		(107,284)	(90,299)
Other income		1,270	1,735
Operating profit		58,358	70,454
Finance income		74	63
Finance costs		(137,875)	(51,934)
Result before tax		(79,443)	18,583
Income tax expense		(6,666)	(16,034)
Result for the period		(86,109)	2,549
Whereof attributable to:			
- Parent company		(86,109)	2,549
- Non-controlling interest		-	-

Consolidated statements of comprehensive income

EUR thousand	Jan-Mar 2020	Jan-Mar 2019
Result for the period	(86,109)	2,549
Other comprehensive income		
Items that subsequently may be reclassified to the income statement		
Hedging reserve	5,802	-
Currency translation differences on foreign operations	20,307	(8,642)
Other comprehensive income	26,109	(8,642)
Total comprehensive income for the period	(60,000)	(6,093)
Whereof attributable to:		
- Parent company	(60,000)	(6,093)
- Non-controlling interest	-	-

Consolidated statements of financial position

EUR thousand	Note	Mar 2020	Mar 2019	Dec 2019
Assets				
Non-current assets				
Property, plant and equipment		883,904	757,318	872,846
Right of use assets		135,253	129,890	132,899
Goodwill		877,580	869,276	884,261
Customer portfolio		991,432	1,030,481	1,016,865
Other intangible assets		240,525	172,072	239,176
Deferred tax assets		38,430	33,086	30,827
Derivatives	4	527	22,075	23,410
Trade and other receivables	4	306,559	317,397	310,179
Total non-current assets		3,474,210	3,331,595	3,510,463
Current assets				
Inventories		156,259	112,448	126,977
Trade receivables	4	151,843	146,303	154,075
Current tax assets		17,085	15,105	17,872
Derivatives	4	6,606	3,965	4,758
Prepayments and accrued income		64,580	34,789	62,948
Other current receivables	4	13,403	12,489	15,613
Cash and cash equivalents	4	59,012	11,350	12,770
Total current assets		468,787	336,449	395,014
Total assets		3,942,997	3,668,044	3,905,477

EUR thousand	Note	Mar 2020	Mar 2019	Dec 2019
Equity and liabilities				
Equity				
Share capital		56	56	56
Other paid in capital		624,795	624,517	624,686
Other reserves		58,754	34,289	32,645
Retained earnings		(2,907,282)	(2,757,659)	(2,821,173)
Equity attributable to equity holders of the parent company		(2,223,677)	(2,098,797)	(2,163,786)
Non-controlling interest		-	-	-
Total equity		(2,223,677)	(2,098,797)	(2,163,786)
Non-current liabilities				
Long-term borrowings	4,5	4,998,396	4,735,829	4,948,800
Derivatives	4	18,831	14,352	17,720
Other non-current liabilities	4	110,508	71,154	114,571
Deferred tax liabilities ¹		254,089	261,620	250,295
Other provisions		18,372	3,409	25,141
Total non-current liabilities		5,400,195	5,086,364	5,356,527
Current liabilities				
Trade payables	4	140,657	106,825	139,086
Current tax liabilities		26,809	27,212	25,300
Short-term borrowings	4,5	104,627	101,014	91,726
Derivatives	4	5,709	-	75
Accrued expenses and deferred income		449,339	409,697	426,594
Other current liabilities	4	39,340	35,729	29,955
Total current liabilities		766,480	680,477	712,736
Total equity and liabilities		3,942,997	3,668,044	3,905,477

1) The majority of the deferred tax liabilities relates to the acquisition of Securitas Direct AB in 2011.

Consolidated statement of changes in equity

EUR thousand	Attributable to equity holders of the parent company and non-controlling interest						Total equity
	Share capital	Other paid in capital	Other reserve	Retained earnings	Total	Non-controlling interest	
Balance at January 1, 2020	56	624,686	32,645	(2,821,173)	(2,163,786)	-	(2,163,786)
Result for the period	-	-	-	(86,109)	(86,109)	-	(86,109)
Hedging reserve	-	-	5,802	-	5,802	-	5,802
Other comprehensive income	-	-	20,307	-	20,307	-	20,307
<i>Total comprehensive income for the period</i>	-	-	26,109	(86,109)	(60,000)	-	(60,000)
Shareholder's contribution	-	109	-	-	109	-	109
Balance at March 31, 2020	56	624,795	58,754	(2,907,282)	(2,223,677)	-	(2,223,677)

EUR thousand	Attributable to equity holders of the parent company and non-controlling interest						Total equity
	Share capital	Other paid in capital	Other reserve	Retained earnings	Total	Non-controlling interest	
Balance at January 1, 2019	56	624,517	43,640	(2,714,251)	(2,046,038)	(2,745)	(2,048,783)
Result for the period	-	-	-	2,549	2,549	-	2,549
Other comprehensive income	-	-	(8,642)	-	(8,642)	-	(8,642)
<i>Total comprehensive income for the period</i>	-	-	(8,642)	2,549	(6,093)	-	(6,093)
Transaction with non-controlling interest	-	-	-	(46,666)	(46,666)	2,745	(43,921)
Balance at March 31, 2019	56	624,517	34,998	(2,758,368)	(2,098,797)	-	(2,098,797)

EUR thousand	Attributable to equity holders of the parent company and non-controlling interest						Total equity
	Share capital	Other paid in capital	Other reserve	Retained earnings	Total	Non-controlling interest	
Balance at January 1, 2019	56	624,517	43,640	(2,714,251)	(2,046,038)	(2,745)	(2,048,783)
Result for the period	-	-	-	(60,266)	(60,266)	-	(60,266)
Other comprehensive income	-	-	(10,995)	-	(10,995)	-	(10,995)
<i>Total comprehensive income for the period</i>	-	-	(10,995)	(60,266)	(71,261)	-	(71,261)
Shareholder's contribution	-	169	-	-	169	-	169
Group contribution	-	-	-	10	10	-	10
Transaction with non-controlling interest	-	-	-	(46,666)	(46,666)	2,745	(43,921)
Balance at December 31, 2019	56	624,686	32,645	(2,821,173)	(2,163,786)	-	(2,163,786)

Consolidated statements of cash flows

EUR thousand	Jan-Mar 2020	Jan-Mar 2019
Operating activities		
Operating profit	58,358	70,454
Reversal of depreciation and amortization	106,924	91,263
Other non-cash items	20,228	18,210
Paid taxes	(3,942)	(4,753)
Cash flow from operating activities before change in working capital	181,568	175,174
Change in working capital		
Change in inventories	(34,287)	(9,841)
Change in trade receivables	583	(15,457)
Change in other receivables	(1,822)	(10,777)
Change in trade payables	4,932	(18,317)
Change in other payables	35,398	46,743
Cash flow from change in working capital	4,803	(7,649)
Cash flow from operating activities	186,370	167,525
Investing activities		
Purchase of intangible assets	(71,056)	(68,014)
Purchase of property, plant and equipment	(73,840)	(67,720)
Settlement of deferred consideration	(1,630)	-
Acquisition of non-controlling interest	-	(45,000)
Cash flow from investing activities	(146,526)	(180,733)
Financing activities		
Change in borrowings	25,107	55,493
Paid bank and advisory fees	648	(2,726)
Net interest paid	(37,076)	(33,001)
Other financial items	25,905	(3,909)
Cash flow from financing activities	14,583	15,857
Cash flow for the period	54,428	2,649
Cash and cash equivalents at start of period	12,770	8,613
Exchange difference on translating cash and cash equivalents	(8,186)	88
Cash and cash equivalents at end of period	59,011	11,350

Notes to the Unaudited Consolidated Financial Statements

Note 1 Accounting Policies

Basis of presentation and accounting periods

This interim report has been prepared in accordance with IAS 34 Interim Financial Reporting. The report includes both the financial statements of the Group and separate financial statements for the parent company.

The consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) as endorsed by the European Union. The most important accounting principles under IFRS, which is the basis for the preparation of this interim report, can be found in note 1 in the annual report for 2019. The accounting policies are unchanged compared with those applied in 2019.

These consolidated financial statements should be read in conjunction with the annual report 2019. These financial statements have not been audited by the Group auditor.

Note 2 Critical Accounting Estimates and Judgments

When applying the Group's accounting policies, management must make assumptions and estimates concerning the future that affect the carrying amounts of assets and liabilities at the balance sheet date, the disclosure of contingencies that existed at the balance sheet date and the amounts of revenue and expenses recognised during the accounting period. Such assumptions and estimates are based on factors such as historical experience, the observance of trends in the industries in which the Group operates and information available from the Group's customers and other outside sources.

Due to the inherent uncertainty involved in making assumptions and estimates, actual outcomes could differ from those assumptions and estimates. An analysis of key areas of estimation uncertainty at the balance sheet date that have a significant risk of causing a material adjustment to the carrying amounts of the Group's assets and liabilities within the next financial year is discussed below.

Testing for impairment of goodwill and other assets

IFRS requires management to undertake an annual test for impairment of indefinite lived assets and, for finite lived assets, to test for impairment if events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. When testing for impairment of goodwill and other assets, the carrying amount should be compared with the recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and its value-in-use.

Impairment testing is an area involving management judgement, requiring assessment as to whether the carrying value of assets can be supported by the net present value of future cash flow derived from such assets using cash flow projections which have been discounted at an appropriate rate. Since there are normally no quoted prices available to estimate the fair value less costs to sell an asset, the asset's value-in-use is usually the value against which the carrying amount is compared for impairment testing purposes and is measured on the basis of assumptions and estimates. In calculating the net present value of the future cash flow, certain assumptions are required to be made in respect of highly uncertain matters, including management's expectations of:

- long-term sales growth rates
- growth in adjusted EBITDA
- timing and quantum of future capital expenditures
- change in working capital
- the selection of discount rates to reflect the risks involved.

The Group prepares and approves formal long-term management plans for operations, which are used in value-in-use calculations. For the purposes of the calculation, a long-term growth rate into perpetuity has been determined as:

- an assumed 3% growth rate for the mature markets
- a projected long-term compound annual growth rate for adjusted EBITDA in 5-10 years, estimated by management for developing countries.

Changing the assumptions selected by management, in particular the discount rate and growth rate assumptions used in the cash flow projections, could significantly affect our impairment evaluation and hence results. The yearly impairment test of goodwill is performed on the closing of the second quarter each year.

Measurement of deferred income tax assets and deferred income tax liabilities

The Group is liable to pay income taxes in various countries. The calculation of the Group's total tax charge necessarily involves a degree of estimation and judgment in respect of certain tax positions, the resolution for which is uncertain until an agreement has been reached with the relevant tax authority or, as appropriate, through a formal legal process. The final resolution of some of these items may give rise to material profits, losses and/or cash flows.

The complexity of our structure following our geographic expansion makes the degree of estimation and judgment more challenging. The resolution of issues is not always within the control of the company and it is often dependent on the efficiency of the legal processes in the relevant taxing jurisdictions in which we operate.

Issues can, and often do, take many years to resolve. Payments in respect of tax liabilities for an accounting period result from payments on account and on the final resolution of open items. As a result, there can be substantial differences between the tax charge in the consolidated income statement and tax payments. We also have exercised significant accounting judgment regarding net operating loss utilisation.

The Group also has exercised significant accounting judgment regarding the recognition of deferred tax assets. The recognition of deferred tax assets is based upon whether it is probable that sufficient and suitable taxable profits will be available in the future against which the reversal of deductible temporary differences can be realised. Where the temporary differences related to losses, the availability of the losses to offset against forecast taxable profits is also considered. Recognition therefore involves judgment regarding the future financial performance of the particular legal entity or tax group in which the deferred tax assets have been recognised.

The amounts recognised in the consolidated financial statements in respect of each matter are derived from the company's best estimation and judgment as described above. However, the inherent uncertainty regarding the outcome of these items means eventual resolution could differ from the accounting estimates and therefore impact the company's results and cash flow.

Measurement of provisions and allocation for accrued expenses

The Group exercises judgment in connection with significant estimates in relation to staff-related costs and in measuring and recognising provisions and the exposures to contingent liabilities related to pending litigation or other outstanding claims subject to negotiated settlement, mediation, arbitration or government regulation, as well as other contingent liabilities. Judgment is necessary in assessing the likelihood that a pending claim will succeed, or a liability will arise, and to quantify the possible range of the financial settlement. Because of the inherent uncertainty in this evaluation process, actual losses may be different from the originally estimated provision.

Depreciation period for alarm equipment

The charge in respect of periodic depreciation for alarm equipment is derived after determining an estimate of expected useful life of alarm equipment and the expected residual value at the end of its life. Increasing expected life of an asset or its residual value results in a reduced depreciation charge recording in the consolidated income statement.

The useful lives and residual values of our assets are determined by management at the time of acquisition and reviewed annually for appropriateness. The lives are based primarily on historical experience with regards to the lifecycle of subscribers as well as anticipation of future events which may impact their life, such as changes in technology and macroeconomic factors.

Estimate regarding leases

The Group performs several estimates when applying IFRS 16 in the accounting for leases. These mainly relates to: Discount rate. The discount rate used in the present value calculation of all future cash flows regarding leases is the incremental borrowing rate. The incremental borrowing rate depends on a number of factors including length of lease period and asset type and are specific for each country.

Extension options and end options. When the entity has the option to extend a lease, or end the lease before the contract end date, management uses its judgement to determine whether or not an option would be reasonably certain to be exercised. Management considers all facts and circumstances including their past practice and any cost that will be incurred to change the asset if an option to extend is not taken, to help them determine the lease term. The extension period have only been included in the present value calculation of future lease payments if it is deemed reasonably certain that the contract will be extended, and if it is deemed reasonably certain that an end option will be exercised this period have been excluded from the calculation.

Note 3 Segment Reporting

The Group's operating segments are identified by grouping together the business by revenue stream, as this is the basis on which information is provided to the chief operating decision maker (CODM) for the purposes of allocating resources within the Group and assessing the performance of the Group's businesses. The Group has identified the management team as its CODM. The segments identified based on the Group's operating activities are customer acquisition, portfolio services and adjacencies. The customer acquisition segment develops, sources, purchases, provides and installs alarm systems for new customers in return for an installation fee. The portfolio services segment provides monitoring services to existing customers for a monthly subscription fee. The adjacency segment captures the sale of remote monitoring and assistance devices and services for senior citizens and, starting 2020, selling internet connected cameras under the Arlo brand.

EUR thousands	Jan-Mar 2020					Group Total
	Customer acquisition	Portfolio services	Adjacencies	Total Group – Excl SDI	SDI	
Revenue	79,087	421,085	10,790	510,962	-	510,962
Adjusted EBITDA	(97,226)	295,022	(4,427)	193,370	(7,879)	185,491
Depreciation and amortization	-	-	-	(67,128)	(39,795)	(106,923)
Retirements of assets	-	-	-	(20,209)	-	(20,209)
Financial items	-	-	-	(55,937)	(81,864)	(137,801)
Result before tax	-	-	-	50,096	(129,537)	(79,443)

EUR thousands	Jan-Mar 2019					Group Total
	Customer acquisition	Portfolio services	Adjacencies	Total Group – Excl SDI	SDI	
Revenue	83,261	370,176	5,130	458,567	-	458,567
Adjusted EBITDA	(68,515)	253,727	436	185,648	(5,915)	179,733
Depreciation and amortization	-	-	-	(52,970)	(38,293)	(91,263)
Retirements of assets	-	-	-	(18,017)	-	(18,017)
Financial items	-	-	-	(52,607)	735	(51,872)
Result before tax	-	-	-	62,055	(43,473)	18,583

Note 4 Financial Risk Management

Financial instruments by category and valuation level

EUR thousand	Mar 2020	Mar 2019	Dec 2019
Financial assets at fair value through profit or loss¹			
<i>Derivatives</i>			
Currency	7,133	26,040	28,168
Total	7,133	26,040	28,168
Financial liabilities at fair value through profit or loss¹			
<i>Derivatives</i>			
Currency	5,709	14,352	75
Interest rate	18,831	-	17,720
Total	24,540	14,352	17,795
Loans and receivables at amortized cost			
Trade and other receivables	306,559	317,397	310,179
Trade receivables ²	151,843	146,303	154,075
Other current receivables ²	13,403	12,489	15,613
Cash and cash equivalent	59,012	11,350	12,770
Other financial liabilities at amortized cost			
Long-term borrowings ³	4,998,396	4,735,829	4,948,800
Other non-current liabilities	110,508	71,154	114,571
Trade payables ²	140,657	106,825	139,086
Short-term borrowings ^{2,3}	104,627	101,014	91,726
Other current liabilities ²	39,340	35,729	29,955

1) Part of the Group's valuation techniques using observable market data.

2) Due to the short-term nature of trade receivables, current receivables, trade payables, short-term borrowings and other current liabilities, their carrying amount is assumed to be the same as their fair value.

3) Details of borrowings are presented in note 5.

Note 5 Borrowings

EUR thousand	Mar 2020			Mar 2019			Dec 2019		
	Principal amount	Adjustment amortized costs	Carrying amount	Principal amount	Adjustment amortized costs	Carrying amount	Principal amount	Adjustment amortised costs	Carrying amount
Non-current liabilities									
Secured									
Senior Secured Notes	500,000	(1,072)	498,928	300,000	(3,257)	296,743	500,000	(1,709)	498,291
Term Loan B ¹	3,092,000	(94,475)	2,997,525	3,092,000	(132,002)	2,959,998	3,092,000	(106,035)	2,985,965
Revolver Credit Facility	170,000	(2,444)	167,556	136,168	(3,904)	132,264	126,954	(2,815)	124,139
Unsecured									
Senior Unsecured Notes	1,229,169	(8,619)	1,220,550	1,238,684	(10,557)	1,228,127	1,237,942	(9,153)	1,228,789
Liabilities to other creditors	14,490	-	14,490	21,846	-	21,846	14,565	-	14,565
Lease liability	99,347	-	99,347	96,851	-	96,851	97,051	-	97,051
Long-term borrowings	5,105,006	(106,609)	4,998,396	4,885,549	(149,720)	4,735,829	5,068,511	(119,711)	4,948,800
Current liabilities									
Accrued interest expenses	41,045	-	41,045	39,794	-	39,794	21,159	-	21,159
Other liabilities	26,008	-	26,008	29,485	-	29,485	33,708	-	33,708
Lease liability	37,574	-	37,574	31,735	-	31,735	36,859	-	36,685
Short-term borrowings	104,627	-	104,627	101,014	-	101,014	91,726	-	91,726
Total	5,209,632	(106,609)	5,103,023	4,986,563	(149,720)	4,836,843	5,160,237	(119,711)	5,040,526

1) Of the total amount regarding adjustment amortized costs 2020, EUR (63,970) thousands ((89,998) in March 31, 2019 and (70,717) in December 31, 2019) relates to an adjustment derived from the modification of loan terms during the loans contract period calculated according to IFRS 9.

Net Debt Bridge

EUR thousand	Mar 2020	Mar 2019	Dec 2019
Total principal amount (as above)	5,209,632	4,986,563	5,160,237
Less accrued interest	(41,045)	(39,794)	(21,159)
Indebtedness	5,168,587	4,946,769	5,139,078
Less financial receivable, current	(8)	(8)	(8)
Less cash and cash equivalents	(59,012)	(11,350)	(12,770)
Net debt including IFRS 16	5,109,568	4,935,411	5,126,300
Less lease liability	(136,921)	(128,586)	(133,910)
Net debt per SFA lender documentation	4,972,647	4,806,825	4,992,391

Note 6 Pledged Assets and Contingent Liabilities

Pledged assets

EUR thousand	Mar 2020	Mar 2019	Dec 2019
Endowment insurance	652	672	658
Shares in subsidiaries	2,049,222	1,968,510	2,100,193
Bank accounts	47,219	377	696
Trademark	47,083	52,083	48,333
Accounts receivables	88,141	90,230	93,684
Inventories	458	65,254	67,088
Motor vehicles	10	9	18

Contingent liabilities

EUR thousand	Mar 2020	Mar 2019	Dec 2019
Guarantees	27,510	25,140	29,645

The Group has pledged shares in subsidiaries, certain bank accounts, trade receivables, IP-rights, inventory assets, intra-group loans, certain intra-group loans, intra-group equity certificates, rights under certain insurances, certain rights under the acquisition agreements regarding the purchase of the Group and certain rights under reports in relation to the acquisition of the Group as collateral for bank borrowings. Guarantees relate primarily to guarantees provided to suppliers.

Unaudited Parent Company Financial Statements

Parent company income statements

EUR thousand	Note	Mar 2020	Mar 2019
Administrative expenses		(4)	2
Operating result		(4)	2
Finance income	2	11,963	11,962
Finance costs	2	(20,865)	(18,084)
Result before tax		(8,906)	(6,120)
Income tax expense and benefit		-	-
Result for the period		(8,906)	(6,120)

Parent Company Statements of Financial Position

EUR thousand	Note	Mar 2020	Mar 2019	Dec 2019
Assets				
Non-current assets				
<i>Long-term investments</i>				
Investments in subsidiaries		1,190,230	1,189,952	1,190,122
Receivables from Group companies		689,538	698,339	700,444
Total non-current assets		1,879,768	1,888,291	1,890,565
Current assets				
Prepayments		-	9	-
Accrued income interest from Group companies		8,500	12,967	3,039
Cash and cash equivalents		3	76	119
Total current assets		8,503	13,052	3,158
Total assets		1,888,271	1,901,343	1,893,723
Equity and liabilities				
Equity				
Share capital		56	56	56
Other paid in capital		569,170	569,170	569,170
Retained earnings		10,104	35,418	18,901
Total equity		579,331	604,644	588,127
Non-current liabilities				
Long-term borrowings	3	1,220,550	1,228,128	1,228,788
Liabilities to Group companies		66,692	46,720	71,052
Deferred tax liabilities		-	109	-
Total non-current liabilities		1,287,242	1,274,957	1,299,841
Current liabilities				
Accrued expenses and prepaid income	3	21,244	21,294	5,749
Accrued expense and prepaid income to Group companies		453	433	5
Other current liabilities		-	15	-
Total current liabilities		21,698	21,742	5,754
Total equity and liabilities		1,888,271	1,901,343	1,893,723

Parent Company Statements of Changes in Equity

EUR thousand	Attributable to equity holders of the parent company			
	Share capital	Other paid in capital	Retained earnings	Total
Balance at January 1, 2020	56	569,170	18,901	588,127
Result for the period	-	-	(8,906)	(8,906)
Shareholders contribution	-	-	109	109
Balance at March 31, 2020	56	569,170	10,104	579,331

EUR thousand	Attributable to equity holders of the parent company			
	Share capital	Other paid in capital	Retained earnings	Total
Balance at January 1, 2019	56	569,170	41,538	610,764
Result for the period	-	-	(6,120)	(6,120)
Balance at March 31, 2019	56	569,170	35,418	604,644

EUR thousand	Attributable to equity holders of the parent company			
	Share capital	Other paid in capital	Retained earnings	Total
Balance at January 1, 2019	56	569,170	41,538	610,764
Result for the period	-	-	(22,806)	(22,806)
Shareholders contribution	-	-	169	169
Balance at December 31, 2019	56	569,170	18,901	588,127

Parent Company Statements of Cash Flows

EUR thousand	Jan-Mar 2020	Jan-Mar 2019
Operating activities		
Operating result	(4)	2
Cash flow from operating activities before change in working capital	(4)	2
Change in working capital		
Cash flow from change in working capital	-	(2,480)
Cash flow from operating activities	(4)	(2,478)
Investing activities		
Cash flow from investing activities	-	-
Financing activities		
New loans from Group companies	-	2,450
Repayment of loan from Group companies	(4,360)	-
Paid bank and advisory fees	-	(148)
Net interest received or paid	4,248	-
Cash flow from financing activities	(112)	2,302
Cash flow for the period	(116)	(176)
Cash and cash equivalents at start of period	119	252
Exchange difference on translating cash and cash equivalents	-	-
Cash and cash equivalents at end of period	3	76

Note to the Unaudited Parent Company Financial Statements

Note 1 Accounting Policies

The parent company Verisure Midholding AB (publ) applies the Swedish Financial Reporting Board's recommendation "RFR 2". The accounting policies are unchanged compared with those applied in 2018.

These financial statements should be read in conjunction with the Annual Report 2019.

Note 2 Financial income and cost

EUR thousand	Jan-Mar 2020	Jan-Mar 2019
Interest income from Group companies	11,963	11,962
Finance income	11,963	11,962
Interest expense	(17,795)	(17,799)
Interest expense to Group companies	(448)	(205)
Other financial cost	(2,623)	(80)
Finance costs	(20,865)	(18,084)

Note 3 Borrowings

EUR thousand	Mar 2020			Mar 2019		
	Current liabilities	Non-current liabilities	Total	Current liabilities	Non-current liabilities	Total
Unsecured						
Senior Unsecured Notes	21,226	1,220,550	1,241,776	21,288	1,228,128	1,249,416
Total (carrying amount)	21,226	1,220,550	1,241,776	21,288	1,228,128	1,249,416

EUR thousand	Dec 2019		
	Current liabilities	Non-current liabilities	Total
Senior Unsecured Notes	5,735	1,228,788	1,234,523
Total (carrying amount)	5,735	1,228,788	1,234,523

Quarterly summary

Key figures

EUR thousand (if not otherwise stated)	Jan-Mar 2020	Oct-Dec 2019	Jul-Sep 2019	Apr-Jun 2019	Jan-Mar 2019
Portfolio services segment:					
<i>Unaudited operating data</i>					
Total subscribers (end of period), units	3,430,058	3,346,712	3,236,226	3,130,810	3,027,674
Cancellation, units	58,535	50,563	48,245	48,274	48,280
Attrition rate (LTM)	6.4%	6.2%	6.3%	6.2%	6.2%
Net subscriber growth, units ¹	83,346	110,486	105,416	103,136	96,921
Subscriber growth rate, net	13.3%	14.2%	13.9%	13.7%	13.6%
Average monthly revenue per user (ARPU), (in EUR)	41.4	41.1	41.0	41.3	41.5
Monthly adjusted EBITDA per subscriber (EPC), (in EUR)	29.0	28.5	28.7	28.7	28.4
<i>Non-IFRS and IFRS financial data</i>					
Portfolio services revenue	421,085	406,029	391,992	380,739	370,176
Portfolio services adjusted EBITDA	295,022	281,891	275,041	264,689	253,727
Portfolio services adjusted EBITDA margin	70.1%	69.4%	70.2%	69.5%	68.5%
Customer acquisition segment:					
<i>Unaudited operating data</i>					
New subscribers added (gross)	141,881	161,049	153,661	151,410	145,201
Cash acquisition cost per new subscriber (CPA), (in EUR)	1,406	1,258	1,209	1,194	1,169
<i>Non-IFRS and IFRS financial data</i>					
Customer acquisition revenue	79,087	85,229	79,795	80,813	83,261
Customer acquisition adjusted EBITDA	(97,226)	(91,823)	(78,820)	(77,140)	(68,515)
Customer acquisition capital expenditures	102,273	110,741	106,891	103,659	101,155
Adjacencies segment:					
<i>Non-IFRS and IFRS financial data</i>					
Adjacencies revenue	10,790	6,889	5,285	5,392	5,130
Adjacencies adjusted EBITDA	(4,427)	785	382	432	436
Consolidated:					
<i>Unaudited operating data</i>					
Payback period (in years)	4.0	3.7	3.5	3.5	3.4
<i>Non-IFRS and IFRS financial data</i>					
Revenue	510,962	498,147	477,072	466,944	458,567
Organic revenue growth	13.1%	16.1%	18.8%	19.7%	20.3%
Adjusted EBITDA	193,370	190,852	196,603	187,981	185,648
Adjusted EBITDA margin	37.8%	38.3%	41.2%	40.3%	40.5%
Capital expenditures	144,124	173,436	141,849	141,892	135,733
Reported (including SDI)					
Revenue	510,962	498,147	477,072	466,944	458,567
Reported adjusted EBITDA	185,491	160,780	183,711	178,643	179,733

1) Differences in reconciliation with end of period subscriber data are primary due to acquisition and disposal of contract portfolios.

All amounts are before SDI, unless otherwise stated.

Non-IFRS measures

The Group uses some financial measures to assess the business which are not defined by IFRS. These measures are included in this report, not to be considered a substitute of the Groups financial statements but instead important complementary measures of operating performance.

Adjusted EBITDA

Earnings before interests, taxes, depreciation and amortization, write offs and separately disclosed items.

EUR thousands	Jan-Mar 2020	Jan-Mar 2019
Operating profit according to consolidated income statement	58,358	70,454
Less depreciation and amortization	106,923	91,263
Less retirement of assets	20,209	18,017
Less separately disclosed items	7,879	5,915
Adjusted EBITDA	193,370	185,648
<i>Whereof adjusted EBITDA customer acquisition</i>	<i>(97,226)</i>	<i>(68,515)</i>
<i>Whereof adjusted EBITDA portfolio services</i>	<i>295,022</i>	<i>253,727</i>
<i>Whereof adjusted EBITDA adjacencies</i>	<i>(4,427)</i>	<i>436</i>

Average Revenue per user

Average monthly revenue per user ("ARPU") is our portfolio services segment revenue, consisting of monthly average subscription fees and sales of additional products and services divided by the monthly average number of subscribers during the relevant period.

Calculation of ARPU

EUR thousands	Jan-Mar 2020	Jan-Mar 2019
Portfolio services segment revenue	421,085	370,176
Monthly average portfolio services segment revenue	140,362	123,392
Average monthly number of subscribers during the period	3,393,734	2,976,107
Monthly average portfolio services segment revenue (in EUR) divided with average monthly number of subscribers during the period – ARPU (in EUR)	41.4	41.5

Monthly adjusted EBITDA per subscriber

Monthly adjusted EBITDA per subscriber ("EPC") is calculated by dividing the total monthly adjusted EBITDA from managing our existing subscriber portfolio (which is our adjusted EBITDA from portfolio services) by the monthly average number of subscribers.

Calculation of EPC

EUR thousands	Jan-Mar 2020	Jan-Mar 2019
Portfolio services segment adjusted EBITDA	295,022	253,727
Monthly average portfolio services segment adjusted EBITDA	98,341	84,576
Average monthly number of subscribers during the period	3,393,734	2,976,107
Monthly average portfolio services segment adjusted EBITDA (in EUR) divided with average monthly number of subscribers during the period – EPC (in EUR)	29.0	28.4

Cash acquisition cost per new subscriber

Cash acquisition cost per new subscriber ("CPA") is the net investment required to acquire a subscriber, including costs related to the marketing and sales process, installation of the alarm system, costs of alarm system products and overhead expenses for the customer acquisition process. The metric is calculated net of any revenues from installation fees charged to the subscriber and represents the sum of adjusted EBITDA plus capital expenditures in our customer acquisition segment on average for every subscriber acquired.

Calculation of CPA

EUR thousands	Jan-Mar 2020	Jan-Mar 2019
Customer acquisition Adjusted EBITDA	(97,226)	(68,515)
Customer acquisition capital expenditure	(102,273)	(101,155)
Customer acquisition cost	(199,499)	(169,670)
New subscribers added (gross)	141,881	145,201
Customer acquisition cost (in EUR) divided by new subscribers added (gross) - CPA (In EUR)	1,406	1,169

Payback period

Payback period represents the time in years required to recapture the initial capital investment made to acquire a new subscriber and is calculated as CPA divided by EPC, divided by 12.

Calculation of Payback period

EUR thousands	Jan-Mar 2020	Jan-Mar 2019
Cash acquisition cost per new subscriber ("CPA")	1,406	1,169
Monthly adjusted EBITDA per subscriber ("EPC")	29.0	28.4
CPA divided by EPC divided by 12	4.0	3.4

Malmö, May 19, 2020

Austin Lally
CEO

Stefan Götz

Adrien Motte

Cecilia Hultén
Chairman

Fredrik Östman