



Transcription

Verisure Group Q1 Bond Call 2021

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26 May 2021



Verisure Group Q1 Bond Call 2021

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PRESENTATION

Operator

Welcome to the Verisure Group Q1 Bond Call 2021. For the first part of this call, all participants will be in a listen-only mode, and afterwards, there will be a question and answer session. I'll now hand over to the company. Please go ahead.

Vincent Litrico

Thank you, Operator. Good afternoon, and welcome, everybody, to this presentation of the first quarter 2021. Participants on this call are our CEO, Austin Lally, and me, the CFO, Vincent Litrico. The report and the presentation we use on this call can be found on our corporate website, in the Investors section. Before we start, let's have a quick look at the agenda on page four.

Austin will start by sharing a review of our operating performance and main KPI developments for the business, and then I will walk you through our financial performance, which will be followed by the usual Q&A session. And by that, I hand over the word to our CEO, Austin.

Austin Lally

Well, thank you, Vincent, and good afternoon to all of you joining us today. Thanks for taking the time again to engage with our business. First, I hope you and your families and friends are as safe and well as can be, given the current global situation. Today, we will present the Q1 2021 results for the Verisure Group. Our company has started the year strongly and delivered another very good quarter. It showed both operationally and financially, and of course, much of our footprint faced significant restrictions in the quarter. Despite that, we performed very well indeed, and we will comment in detail on the numbers later.

But let me start with an update on the pandemic, as I have done in previous quarters. We continue to manage the situation carefully to minimise the impact of the pandemic on the health and safety of our people, whilst ensuring business continuity for our existing customers and continuing to grow new sales. We keep protecting our people with remote working, PPE, and good safety protocols. We know the pandemic is not over, and we will stay very vigilant.

We continue to provide our service 24/7, even with remote working. We keep protecting our customers; our alarm monitoring, response, and customer care have operated with high service levels all through the past 14 months. And we're glad that during the early period of the crisis that we made it a priority to protect our sales structures for the recovery that we believed would come. That decision enabled our resurgence in new sales in the second semester of 2020, and our strong start in 2021.

So, let's start with our Q1 top line results on slide number five. We did almost 190,000 new installations in the quarter. We reached over 3.8 million customers by the end of March '21. Our total revenues were up 17% in the quarter, as reported. Total adjusted EBITDA was very strong, up 38% in the quarter, and portfolio EBITDA reached €354 million in the quarter;



Verisure Group Q1 Bond Call 2021

{EV00123391} - {46:08}

that's an all-time high record. If you annualise it, our portfolio EBITDA is now more than €1.4 billion; and that's up 20% versus last year.

We are also very pleased that we could access the debt capital markets in early '21. We refinanced a significant part of our debt at historically attractive terms. And we extended the tenure of our debt portfolio to over six years. So, we now have a very solid capital structure in place for the years to come.

Let's move to slide six. By the end of the quarter, we had more than 3.8 million customers, specifically 454,000 more customers than a year ago. In absolute numbers, it was the highest organic growth during a 12-month period ever for the company, adding almost half a million customers net in a year. This corresponds to a net portfolio annual growth rate of 13.2%. It's an acceleration of the growth rate annually of almost 45%. And the growth is geographically broad-based, too. If you look back over the past three years, our portfolio is up more than 1 million customers on a net basis - actually 1.2 million customers - and as you can imagine, we now have the 4-million-subscriber milestone in our sights.

Moving to slide seven, it was a strong quarter on new sales. We added 186,000 new customers to our portfolio. This was our strongest first quarter ever on new sales for the company and ahead of our internal targets; it was up 31% versus last year, and 28% versus 2019. As I mentioned, this happened with many of our geographies still facing a third wave of infections and severe restrictions. So, we regard accelerating new sales growth like this as a very strong achievement. So, without giving formal forward guidance, I can say we are optimistic about the future despite the continuing COVID situation. We see continued demand, and customers continue to feel comfortable receiving our security experts in their homes.

Since we're talking about new sales, let me comment briefly on CPA. In Q1, our CPA was €1,205; that's 14% lower than a year ago, or a reduction of €200. This is continuing the development we had in Q4 and Q3 last year, which was down 13% and 10%, respectively, versus the prior year. This decrease is driven, on the one hand, by the higher volume of new customer additions, which means we could spread our fixed costs across a higher number of customers, and on the other hand, CPA also decreased due to the positive impact of the cost interventions we made through 2020 as we aimed to come out of the pandemic, leaner and stronger.

So, let's move to attrition performance on slide eight. We maintained our strong attrition performance in Q1 2021. Attrition continued at a low level; 6.5%. This is slightly higher than the 6.4% in Q1 last year, but it's not a material change. We have been below 7% in every quarter since the middle of 2015. We believe this performance leads the industry, and indeed, leads subscriber-based consumer services overall. We obviously monitor this very carefully. We will always act to protect our customer base. The most important point is that we have been able to continue to deliver our recognised very high service levels. Also, we have seen that the emotional need to feel safe and secure for families and small businesses did not diminish in the middle of a serious public emergency, even with so many families working from home or staying at home.

Our Verisure community of more than 3.8 million customers is one of the happiest and highest quality in the industry. That is earned loyalty. It's also broad-based, geographically. We keep leveraging the know-how accumulated in the company, and we continually share best practices and approaches across all of our markets, including through the present situation.



Verisure Group Q1 Bond Call 2021

{EV00123391} - {46:08}

Value creation is also about the profitability of individual customers, so we are now going to look at earnings per customer on slide number nine. In Q1, we saw very strong growth. We reached €30.9 per customer per month, an all-time high record in a quarter, up almost two whole euros versus last year, up 6% in constant currencies. Taking a longer view, if you go back five years, we have grown EPC by almost €7 per month. And again, this was broad-based. Unit profitability improved in all of our main geographies. We increased average revenue per user to €42.4 per customer per month in Q1, up 2.5% versus last year, as reported, and up 2% in constant currencies.

As I mentioned earlier, we worked very hard on our costs. We have been growing very strongly in recent years, and we work hard to make sure we get the right cost leverage from that growth and larger scale, while also continuing to invest in the customer experience. With the uncertainty around COVID-19, we accelerated some of our cost interventions. So, in Q1, our operating costs per customer were down 7% versus the prior year in constant currencies. We believe there are opportunities to further intervene to get efficiency and effectiveness from our cost structure, and we are working hard to do so.

With this, I would now like to hand over to Vincent, our CFO, who will take you through our financial performance in more detail, and I will come back later to join you for the Q&A section and for some closing remarks.

Vincent Litrico

Thank you, Austin. Turning to slide number ten, let me first start with the summary of our key financial metrics for the first quarter in 2021. As you heard from Austin, Verisure Group delivered a strong operational and financial performance in the quarter, especially considering the exceptional external environment. Starting with Revenues generated, €596 million in total; revenues for the quarter, which is an increase of 17% compared to 2020; in constant currencies, total revenue growth was +16%. Our key cash generation measure Portfolio Services EBITDA continued to increase and amounted to €354 million in the quarter; an all-time high record, and an improvement of +20% versus 2019. In constant currencies, the increase was +19%. This was on a very strong year last year as well, which grew +19% also, versus the prior year. Overall, a very strong performance across the Group in our portfolio segments.

Portfolio EBITDA margin improved to 72.8% for the quarter. This is an increase of almost three percentage points, 270 basis points, compared to 2020. And the increase is mainly the result of portfolio growth, which drives scale benefits, also coming from good development in operations, and overall good cost control. Total adjusted EBITDA, excluding SDIs, was also very strong; it increased to €263 million in the quarter, and was up +36% compared to Q1 last year. This is a strong increase, especially considering the very strong growth in our new customer additions we had in the quarter, which as you know, short-term, negatively impacts EBITDA, but quickly turns into positive recurring revenues and cash flow for us down the road.

So, cash flow from operating activities amounted to €190 million for the quarter; this is slightly up versus Q1 2020. The underlying cash flow generation from operating activities was also very strong, up 39% versus last year. However, negative variations in working capital, mainly driven by inventory build-up, offset most of the growth. Total capital expenditures came in at €176 million in the quarter, which is 22% higher than last year. The increase versus 2020 is primarily related to higher volume of new customer addition, which grew 31%.



Verisure Group Q1 Bond Call 2021

{EV00123391} - {46:08}

As of the 31st of March 2021, external net debt amounted to €6.929 billion; the increase versus 2020 is primarily due to the paid distribution to the Group's shareholders made in March 2021.

We have significant financial headroom from a combination of cash and our revolver credit facility. At the end of the quarter, we had approximately €700 million in unutilised credit facilities and cash - over 500 million more than last year - mainly due to the upsize of our revolving credit facility as part of January's refinancing exercise.

As we commented earlier in Q1, we successfully accessed the debt capital markets in January to address our capital structure, increasing the average tenor of our debt to 6.1 years, and securing an attractive cost of debt for the upcoming years. Now, the majority of our debt matures in 2026 or beyond.

Turning to the next page, number 11, we show a more detailed income statement for the first quarter. Let's start by looking at the numbers, excluding Separately Disclosed Items on the left-hand side of the table.

As I mentioned earlier, revenues amounted to €596 million, and total EBITDA to €263 million, giving us a total EBITDA margin of 44%. Operating profit came in at €158 million for the quarter, compared to €106 million in Q1 2020, and driven by the higher EBITDA.

Net interest expense amounted to €59 million, which is up versus last year's level, mainly driven by the increase in gross debt. In total, this gives us a result before taxes of €98 million for the period, which is almost double the result posted in Q1 2020.

Let me also explain the Separately Disclosed Items during the quarter. We define Separately Disclosed Items or SDIs as costs or income that have been recognised in the income statement, which we believe, due to their nature or size, should be disclosed separately to give a more like-for-like view on financial performance as well as ongoing/normalised profitability level for the company. And as noted before, most of these items are either one-off or exceptional nature, and largely non-cash items.

So, we incurred €7 million of operating SDI expenses, mainly related to various transition projects within the Group. Furthermore, we have €40 million of amortisation of acquisition-related intangibles in line with previous periods. The main part relates to amortisation of the contract portfolio which resulted from the acquisition of the Securitas Direct Group back in 2011, and this is obviously non-cash.

Other financial items as part of SDIs amounted to -€24 million, compared to -€82 million last year. And the -€24 million is composed of a positive non-cash FX revaluation of the debt items, and unrealised hedge of +€26 million on one hand, which was offset, on the other hand, by the amortisation of realised prepaid financing fees of €17 million and the amortisation of prepaid financing fees - almost €5 million - as well as a call premia expense of €17 million related to the amortisation of our Senior Unsecured debt during the refinancing that we conducted in January 2021.

Income tax for the quarter was -€12 million, compared to -€7 million last year, and the difference is mainly related to the profit development and timing also between the quarters. So, all in all, this results in a reported net profit for the quarter of +€16 million compared to -€86 million last year.



Verisure Group Q1 Bond Call 2021

{EV00123391} - {46:08}

Let's now turn to the next slide number 12, where we have an overview of the operating cash flow for the first quarter of 2021. We've had a strong underlying operating cash generation during the quarter of €190 million, very strong development in Q3 and Q4 last year, which is up more than 50% versus prior year, and from the bridge chart, you can see that our main source of cash inflow is the recurring cash flow of our customer portfolio, which is growing month by month and generated €354 million of portfolio EBITDA last quarter.

As you know, we do not fully capitalise on the balance sheet all our upfront investment costs to acquire new customers. Part of the upfront investment is expensed directly and accounted for in EBITDA. Such effect was €90 million in the first quarter.

Changing working capital negatively impacted cash flow by €63 million in Q1. The main reason behind it was inventory build-up due to the anticipated growth in the business.

Working capital can fluctuate somewhat between the quarters, but as you have seen in the past years, we've demonstrated that we are able to bring down working capital over time from a structurally negative position, in tandem with growing the business. This dynamic has been consistently demonstrated. In 2020, we reduced the working capital by almost €100 million. In 2019, you may recall the working capital was reduced by €47 million; €14 million in '18; 2017 and '16, it was reduced by €34 and €32 million, respectively, in parallel, as we have substantially grown the business over those years.

Finally, tax payments and one-off SDI items further contributed to a total cash flow generation from operating activity of net €190 million, as mentioned before.

Let's look at the next page, number 13, where we have a net debt bridge as per end of March 2021. The main components you see on this page are, firstly, the operating cash flow generation of €190 million we just talked about. Of that, we've invested €177 million in additional growth for the company. This mainly includes capital expenditures to bring new customers onto the portfolio as the main part, as well as investments in product development, upgrades, and IT infrastructure.

Interest payments amounted to €48 million, and we had an increasing net debt of €1.7 billion related to the refinancing and the paid distribution that we conducted last quarter. In addition, we had €82 million cost of Other items, mainly related to bank and advisory fees, as well as core costs also relating to the refinancing we conducted back in January. All in all, these took us to a net debt position at the end of March of €6.929 billion, including the impact of IFRS 16, worth €131 million.

On the back of the refinancing, both Moody's and S&P's affirmed our rating - a B2/B - and maintained the stable outlook. The increase in net debt leaves our leverage ratio at a level where we feel comfortable. A leverage level where we've been at in the past on several occasions. This is clearly illustrated in the next slide.

So, turning to page number 14, you see a summary of the quarterly leverage evolution since 2015. Part of our financial strategy is about deleveraging, while growing our customer portfolio base and increasing EBITDA. It's part of our growth and value strategy. We've done this for many years.

The first point I want to highlight on this slide is that while we've historically reported net leverage on a pre-IFRS basis in compliance with our 2015 Senior Facility Agreement, following January 2021 refinancing, our 2015 Credit Facility



Verisure Group Q1 Bond Call 2021

{EV00123391} - {46:08}

Agreement was cancelled, and hence, going forward, we will report net leverage on a post-IFRS basis in compliance with our new SFAs.

As you can see from the end of 2015 to Q3 2017, before the refinancing conducted in November 2017, we reduced total leverage by almost two turns, from 7.0 to 5.3 turns in less than two years. Since then, we've delivered and levered up in several occasions.

In late 2020, on the back of a strong performance both on cash generation and on EBITDA, we accelerated our deleveraging to 1.4 turns in 12 months, so from 6.5 at the end of 2019 to 5.1 turns at the end of December 2020, with a corresponding senior secured leverage of 3.7 turns. These values, again, are all, now, post-IFRS.

In Q1 2021, after taking effect of January's refinancing and the pay distribution which happened in March, our total leverage stood at 6.4 turns with a corresponding senior secured leverage of 5.0 turns.

Finally, and before moving to the Q&A session, I'd like to quickly show some perspective on the development of our key metrics over the past years, as we usually do, which reflects our ability to continuously grow sales, recurring profit, and cash at a sustained rate. So, slide 15 gives you an overview of our resilient track record of successfully delivering strong, high-quality growth, both top and bottom line every year, pretty much irrespective of the external environment, as we showed last year. And it's about growing the company at a high pace, and at the same time, improving the unit economics over time.

So, starting with the sales engine, we've had very strong growth in new customer intake over the years. High double-digit rates for many years, which you can see on the top left-hand side of the graph on the slide. And all this is growth on growth.

In parallel, we have a continued focus on improving customer experience, bringing the attrition down to the 6%-to-7% range from an already low, what we believe is an industry-leading level, and this is part of our differentiated business model for strong sales growth.

And low attrition has led to a strong development of the total portfolio size, while we've enjoyed double-digit growth for several years, and now have over 3.8 million customers, which is in the top middle graph.

And at the same time, this volume growth has been complemented by strong improvement in unit economics and profitability by customer, EPC, year in, year out, up more than 5% per year. And that's a result of both our ability to earn higher pricing above local inflation as well as improved efficiency and cost to serve, supported by leverage and scale, and the fact that we are becoming larger, driven by the growth itself.

Overall, both the strong portfolio growth and the improved customer profitability have continuously contributed to generate consistent high double-digit growth on our key profit and cash flow measure, portfolio EBITDA, which you can see on the right side of the page - up 19% to 20% per year, some years even more - and portfolio EBITDA is now over €1.4 billion on an annualised basis, and has more than doubled since 2016. So, that's a good way of describing how our economic model works on an aggregate level.

And with this, we conclude this part of the presentation. And now, I now would like to hand back to the operator for the Q&A session.



Verisure Group Q1 Bond Call 2021

{EV00123391} - {46:08}



Verisure Group Q1 Bond Call 2021

{EV00123391} - {46:08}

Q&A

Operator

Thank you. If you wish to ask an audio question, please press 01 on your telephone keypad. If you wish to withdraw your question, you may do so by pressing 02 to cancel. Once again, please press 01 on your telephone keypad if you wish to ask an audio question.

Our first question comes from Brian Ruttenbur from Imperial Capital. Please go ahead.

Brian Ruttenbur (Imperial Capital)

Congratulations. A couple of quick questions. What are you seeing in terms of April and May? You have relatively easy comps, it appears, year over year, for second quarter 2021 versus second quarter 2020 because of COVID, but more difficult comps in Q3 and Q4. So, I wanted to just get a feeling for what you're looking at right now as you're looking at April in the rear-view mirror, and half of May in the rear-view mirror, and what you see, going forward, throughout the year.

Austin Lally

We don't really give forward guidance formally. We're looking back at Q1, but I think you can get from my remarks that I'm just very happy with the trends, and very optimistic about the balance of the year.

Brian Ruttenbur (Imperial Capital)

OK. And then, in terms of supply chain issues, are you seeing any, given how fast you're growing? Are you having any supply chain issues at all?

Austin Lally

We haven't missed an order, which is just very important, but I can tell you that the world has got more complicated from a supply chain perspective, and really want to give a shout out to our procurement organisation for, really, the excellent work that they did all through, actually, first of all, from the disruption caused by the pandemic itself, through to what's effectively now, which I'm sure you're aware of globally, global shortages on chips and silicon and key components. So, this is something we're actually paying very careful attention to make sure that we're able to secure, not just what we need, but actually the upside, given that our business has been effectively beating its objectives.



Verisure Group Q1 Bond Call 2021

{EV00123391} - {46:08}

Vincent Litrico

That's why you see the numbers in working capital, especially inventory, increasing. So, we've made a big strategic point to secure as much product as possible to be able to meet the demand in a context of, indeed, as Austin mentioned, a tense supply chain environment, generally in the electronics market.

Brian Ruttenbur (Imperial Capital)

OK. Then, along those same lines in terms of procurement. Have you had to switch out the types of products that you're providing because of this pandemic or shortages? Or have you gotten everything that you wanted, and have you had to pay more for that? Or is it a longer lead time? I'm just trying to get a feel for what you're saying.

Austin Lally

We've not had to swap out products. That's why I said we haven't missed an order or failed to install where a customer had demand. There certainly is, first of all, longer lead times at play and some upward pressure on pricing. And obviously, for us, actually, given the material cost relative to the lifetime value of the customer, it's a relatively small proportion. It always makes sense for us to secure the supply we need.

Brian Ruttenbur (Imperial Capital)

And then, last question in terms of competition. Are you taking share right now from your competition? Are you taking it from the DIY, or is it just a general uptrend in the market and the demand?

Austin Lally

The characteristic of the European market is that penetration levels remain significantly underdeveloped, and that's why the vast majority of the growth that we deliver is actually customers that are new to the category. So, when we talk about market share, we certainly look at, on the one hand, at the market share of the installed base in the country, which, I think, over our footprint has obviously increased, but we also pay very careful attention to the market share of new installations because that's, obviously, measuring in a way who's winning the sales battle right out in the field on the ground. And again, I think, if you look across our company's performance, just the mathematics I think of our growth - 650,000 installations last year - that's, obviously, building share in Europe.

Brian Ruttenbur (Imperial Capital)

Thank you very much.



Verisure Group Q1 Bond Call 2021

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Operator

Thank you, just as a quick reminder if you wish to ask an audio question, please press 01 on your telephone keypad. Once again, that's 01 on your telephone keypad if you wish to ask an audio question.

There appears to be no further registered questions, so I'll hand over back to the speakers for any final remarks.

Austin Lally

Very good. Thank you, operator. Actually, normally, we get a few more questions than that. Is it possible to check whether or not people are all on mute?

Operator

Just as a quick reminder, if you can hear me, please press 01 on your telephone keypad if you wish to ask an audio question.

Our next question comes from Chloe Qiao from CVC Credit Partners. Please go ahead.

Chloe Qiao (CVC Credit Partners)

Hi. Thanks very much for the update. Always good to hear the story. I just have one question. I was just wondering if you can maybe comment a bit more on the development by the different geographies that you're seeing currently. Obviously, still a lot of moving parts globally, so just wonder how that's flowing through your activities.

Austin Lally

It's really broad based, as I mentioned in the remarks, and I think, if I make a general comment, obviously, there are very difficult health situations taking place across the world, countries rising and falling at different speeds, but we haven't really seen a correlation with that on our new sales numbers or on our portfolio. For example, probably the part of our footprint which has been in the most severe situation and the longest lockdown is Latin America. And yet the teams in Latin America are actually overdelivering versus their budgets. So, we're very happy, looking right across the European landscape. Also, at the broad-based performance.

Chloe Qiao (CVC Credit Partners)

That's really helpful, and I suppose similar, also, in terms of customer attrition?



Verisure Group Q1 Bond Call 2021

{EV00123391} - {46:08}

Austin Lally

As we've mentioned in previous calls, we have had, for example, in some small parts of our portfolio, like in the business segment, we've had more cancellation requests, for example, coming from customers who are concerned that their business may close. But in general, our save rates on cancellation requests that come are very high. In fact, I would think I'm right in saying they're higher than our pre-COVID levels, and that's why, when you look at the attrition performance, overall, there's no material change; basically, 6.5% in the quarter.

Chloe Qiao (CVC Credit Partners)

Thank you. That's helpful.

Operator

Thank you. Our next question comes from Emily McEachern from BlackRock. Please go ahead.

Emily McEachern (BlackRock)

Hi. Thanks for taking my question. The first one: I was wondering if you could give an update on Arlo and the acquisition, whether that's now fully integrated with the wider portfolio. And then, my second question was around customer acquisition costs. It seems like, sequentially, we saw a slight increase in this quarter versus the previous one. I was wondering whether there was some seasonality there, or mix shift, as to why we saw a slight increase quarter on quarter in CPA. Thanks.

Austin Lally

Maybe I'll take the Arlo question, and I'll let Vincent take the CPA question, Emily. We're actually very excited about the opportunities that Arlo is going to bring to us. Obviously, 2020 was more difficult, actually, because we were integrating it and trying to build a new organisation in the middle of a pandemic. But we've assembled a very talented team on the Arlo business. Generally, the backgrounds of that team, people coming from e-commerce and retail and consumer electronics backgrounds. So, they've been putting together strong growth plans, and I think we're excited, actually, at the reaction that we're getting from retailers as we talk them through our plans and our investment intentions there. So, that's the first point I'd make.

Second thing: great work by our technology teams to get it fully integrated. You can now have Arlo cameras at home that can be integrated into the Verisure alarm system, and it can be accessed during a burglary, for example, by the monitoring station. And that's quite unique. The idea that Arlo can be a modular step to a full Verisure system, that was always a strong part of our value creation plan. And something I wanted to say is we've been doing a lot of pilots across the Group and in different countries to try and assess the potential to actually upsell Arlo camera packs to our existing portfolio of customers. We've always felt that upselling was a big value creation lever for Verisure that we weren't pulling hard enough in the past, and we think that Arlo can really help there. Maybe, Vincent, I'll pass you the CPA topic.



Verisure Group Q1 Bond Call 2021

{EV00123391} - {46:08}

Vincent Litrico

Sure. On CPA, first of all, we are very pleased with the performance. As you've seen, we've posted a 15% reduction versus the prior-year-based Q1, **operating the Q1 towards the second part of the month of March**, starting to be impacted by the lockdown and the wave one, and actually, in the context of Q1 2021, considering many countries' footprints continue to face lockdowns, and for some of them, the third to the fourth wave, we are very pleased with the performance.

Now, you were referring to quarter-to-quarter evolution. So, indeed, if I maybe start commenting a bit about Q3 or Q4, and remind everyone of the drivers underlying the exceptional performance we've had, posting slightly less than €1,100 CPA for both quarters. As we commented, this was tracing three things, I would say. number one, geographic mix. There's a seasonality impact as well to be taken into consideration. And also, an element of exceptional and upfront help tailwind from the cost savings programme we've dialled up in the context of COVID towards the second part of the first half of the year, last year.

Now, if I look at Q1 at €1,200, we're very comfortable with this level of CPA. This is, actually, some sort of normalisation versus where we've been in the past. And to your point, the quarter-to-quarter changes tracing to a combination of seasonality as well as a country mix, generally speaking, a level of sales that is also somewhat normalising versus the pent-up demand we had accumulated at the end of Q2, considering we were not able to meet demand, given the lockdowns in most of our footprints, which we service in the greater part of Q3 and the first months of Q4 last year. So, again, €1,200, we're pleased with the performance considering the context, and that, obviously, continues to be bringing us not only at scale, but really excellent marginal customer economics and improving pay back, as you see.

Emily McEachern (BlackRock)

Thanks.

Operator

Thank you very much. Just as a quick reminder, again, please press 01 on your telephone keypad if you wish to ask an audio question.

Our next question comes from an unidentified number. Please hold whilst I capture their details.

It comes from Mark Watson from Inteva. Please go ahead.

Mark Watson (Inteva)

Hi, there. Two questions. One was around potential refinancing. I know you've got some 2023 notes with near-term calls. Given how successful you were with your recent refinancing, was there any intention to potentially refinance those notes earlier than their maturity dates? And then, the second question was just an add-on question to one of the earlier ones regarding pass through. I know that you hinted at raw material costs potentially being a slight impediment, but would you say the pass through on to customers is something that's been affected, too? Or generally speaking, are you happy with



Verisure Group Q1 Bond Call 2021

{EV00123391} - {46:08}

where your pricing is and the ability of your customers to take on those higher prices? Or where you see the pricing environment for the product that you guys are selling.

Vincent Litrico

Mark, let me take care of both parts of both your questions. On the first one, as you know, we don't make forward-looking guidance on capital market activities we may or may not take. I can only say that last year was very busy as we've been three times to the capital markets - two times last year, and in January, in a substantial way - and all have been, indeed, as you pointed out, very, very successful.

So, we'd like to thank again all the investors on the call for the confidence they put in us. But as I said, we're not really making forward-looking guidance, and we're happy with the debt profile we have, especially on the maturity front, as I mentioned, which we've managed to extend successfully to 6.1 years, in the context of the last refinancing.

Now, the second question on the input cost increase you mentioned, it's actually well-managed. Indeed, we do see on some components, given the shortage we're seeing, some supply demand imbalances that are driving pricing up, but at the same time we will continue our efforts to drive efficiencies as part of our capital programme, which has been ongoing for many years now.

And so, maybe as an indicator, if you just look at the Q1 results, and you take the customer-acquisition material CapEx divided by the installation, you get to slightly short of €400 cost per new installation, which is a good proxy for you in terms of saving the cost of the total pack we install at a new premise, and that's actually in line - 0.5% down versus the costs we had last year - so there's a number of initiatives we're taking to combat and offset input cost inflation. Structurally, however, in case we see a big increase, we believe we have had, and we continue to have, pricing power to pass that through in all geographies, really. So, no, this is not a source of concern for us at this stage.

Mark Watson (Inteva)

Great. Thank you.

Operator

Thank you. There appear to be no further registered questions. So, I'll hand over back to the speakers.

Austin Lally

Again, thank you for participating on the call today, and for the continued interest in the company. And I also want to thank you with Vincent for the support that you have given us as credit investors, including in the January refinancing. We're fully aware that these are serious times, first and foremost, for communities and families more than companies. And we know that we have a responsibility to our employees, our customers, our investors, and other stakeholders, like police and fire



Verisure Group Q1 Bond Call 2021

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services, to continue to perform with excellence during this period. We continue to do everything we can to protect our people and our customers.

Our service levels remain very high. Our portfolio is robust. Our new sales performance is strong. Our financial delivery is very strong. We have entered 2021 strong and confident, having achieved new records for portfolio and performance metrics. We believe the future's bright. Penetration of home security in our geographies remains low. The fundamental customer need for peace of mind doesn't go away. We believe that the need will only increase in the future, not decrease. And our intention as a company remains the same: to become even stronger, leaner, more effective, and also with a generation of leaders across the company that have been battle-tested in a difficult situation, and therefore, prepared to execute even better than before.

So, in closing, again, I want to thank you for your interest and support. Please continue to do everything to keep you and your own families and friends healthy and safe, and we look forward to talking to you again in a few months when we present the second quarter of 2021.