

Transcription

Verisure Group Q2 2025 Results

21 August 2025

Operator:

Welcome to Verisure Group Q2 results presentation. Today, I am pleased to introduce CEO Austin Lally and CFO Colin Smith. For the first part of the conference call, all participants will be in listen-only mode. If you wish to participate in the questions and answer session after the prepared remarks, then you need to dial into the telephone conference and press star five on your telephone keypad to enter the queue. Please note that you will not be able to ask questions if you have joined using the audio cast link. Now, I will hand the conference over to the speakers. Please go ahead.

Colin Smith:

Thank you, operator. Good afternoon, everyone and welcome to our Q2 results presentation.

Now, in terms of materials, as usual you can find our results presentation and quarterly report on our Investor Relations website. We've also updated our 10-year trending schedules, which set out key operating and financial data for the Group.

To get us started, let's take a quick look at the agenda on Slide 4.

First, Austin will share an overview of key performance highlights in the second quarter. Then, I'll provide a more detailed financial review. And finally, we'll close the session as usual with time for Q&A and closing remarks.

And with that, let me hand over to Austin.

Austin Lally:

Thank you, Colin, and thank you all for participating in this call today. And more importantly, for your continued interest in and support for our company.

Today we will present the results for Q2 2025 for the Verisure Group.

Overall, we are pleased with our second quarter results. They demonstrated again the high-quality, resilient nature of our business model, our ability to deliver excellent portfolio economics and also the continued strong demand for our services from new customers.

Today we're again reporting strong, broad-based financial performance with valuable growth in profitability year on year. We increased Annual Recurring Revenues by over 10% year over year, and Adjusted EBIT is up 14%. We were particularly pleased with EBITDA per customer, which increased +4% year on year. This was driven by strong ARPU growth, alongside further progress on reducing costs. Customer attrition was

again down, as our thoughtful, sophisticated and road-tested approach to both high quality customer creation and customer portfolio management continues to work well.

Our strategy remains consistent, and our teams continue to execute well. Investing in high-quality product and service innovation is core to how we win. We invest significantly to create the category through high impact media and marketing. We continue to develop and grow our sales muscle. We are now a high performing 12,000-strong team of salespeople. And of course, we provide a first-class customer experience, based on the core principles of Deter, Detect, Verify & Intervene. These are the core elements that underpin our consistent, high-quality growth.

Our model is underpinned by excellent people operating within a strong culture. Building on the employer recognition awards earned last year, I'm delighted to share that Verisure is now Great Place to Work and/or Top Employer certified in all 17 of our countries. Denmark, Germany, Ireland, Norway, and Portugal recently received their first Great Place to Work certifications, joining the rest of our countries most of which have been certified for many years.

Before we begin our update on results, I wanted to highlight two announcements from the quarter.

First, in June we announced our planned acquisition of ADT Mexico, expanding into our 18th market. We remain highly focused on organic growth, with a significant penetration runway ahead of us, but we are enthusiastic about this opportunity.

We already intended to open in Mexico on a greenfield basis later this year as Mexico is a large, attractive market with well-established professionally monitored security and excellent unit economics. This unique opportunity arose however, giving us the chance to instead enter Mexico already in a #1 position in new sales and portfolio size, and so it represents an acceleration compared to our previous plan. The deal, which is subject to customary closing conditions, is expected to close before year-end. Once complete, we look forward to updating you further at our Q3 results.

Second, I wanted to share details of a new appointment to our Board of Directors. In July, Sara Öhrvall joined our Board as an independent director. Sara brings a sharp, forward-looking lens on how digital experiences can create real customer value. Her deep ties to Sweden are also a strong link to our Nordic foundations. Sara's impressive executive and board career has included Chief Digital Officer at SEB, Senior Vice President of R&D at Bonnier AB Chair of SSE Ventures and as a Board director at Investor AB.

Sara's appointment further strengthens our governance structure, and she becomes our fourth Independent Director alongside Dominique Reiniche, Graeme Pitkethly and Andrew Barron. I'm looking forward to working with Sara on the many opportunities we have ahead of us.

Let's get into our Q2 performance highlights on Slide 5. Total revenues were up +9% in the quarter, +10% in constant currency. Adjusted EBITDA was up +12% in the quarter. Portfolio EBITDA was up +12% in the quarter, +13% in constant currency, reaching 595 million EUR. And Adjusted EBIT was up +14% in the quarter

In terms of Q2 customer growth, we increased our portfolio by more than 8% year over year, with total customers now well above 5.8m. In Q2 our commercial teams delivered our highest ever quarter for installations, consolidating over 217,000 new customers. This would have been higher still had it not been for two specific headwinds in the quarter.

The first was changes in the Google Search ecosystem, and the introduction of AI Overview functionality. This led to a change in the nature of Google search results and accordingly both the paid and organic traffic we were acquiring. We were fast to adapt here and adjusted our approach to mitigate these changes, but as we've seen in past situations when Google makes algorithm changes, it takes even our marketing teams a few weeks to work them through to land at new optimums. We therefore also decided to continue to invest through these changes, given our strong Acquisition economics.

The second factor was the electricity blackout in Spain in late April, which cost us two sales days, impacting our installation volume growth. Our focus here was on maintaining service to our existing portfolio, and we were pleased with how we managed through this for our customers.

Together we estimate Q2 would have grown installations around 2 to 3 points faster had it not been for these two effects ... and has been further validated in our latest monthly results. Encouragingly we delivered July installation growth of between 4% and 5%.

More broadly, as is the case with any consumer acquisition business you should always expect to see some ebb and flow in new customer acquisition on a quarter-to-quarter basis. Unlike our Portfolio Services business which is highly stable and very predictable. We had two headwinds in the second quarter, as noted, but these can also be positives, as we saw in Q2 last year with the launch of LockGuard in Spain. Our

key focus remains delivering our guidance of ARR, Total Revenue and Adjusted EBIT, which is unchanged.

Overall, I'm pleased with how marketing teams across the company reacted to these Google changes, which will likely continue to evolve in future. History tells us that usually we win versus our competition in these types of situation – given our scale, our know how and our agility. Always aiming to adapt and turn changes around us to our advantage.

Last Twelve-Month attrition remains very low relative to other subscription businesses. And continuing to improve. We are now at 7.4%, from 7.6% one year ago. This remains a big focus for us, and a real strategic differentiator. Our teams continue to focus on providing a consistently excellent customer experience, first-class customer care, retention best practices including root cause specialization and the close management of customer moves.

We have reduced leverage by 0.2x in the quarter. Total adjusted net leverage is now 4.5x. We have hit the leverage target that you will remember we communicated in 2024. We intend to continue to deliver consistent reductions in leverage, in line with recent track record, and we anticipate further guidance in the coming months. Over the past two years, driven by consistent growth in our profitability, we have decreased leverage by 1.1 turns.

Finally, at hand, we have approximately 385 million EUR of available liquidity.

Moving to Slide 6. Our customer portfolio has 436 thousand more customers than a year ago. We now protect over 5.8 million families and small businesses. This represents a net portfolio annualized growth rate of +8.1%.

As you know, in these bondholder calls we've never given formal forward-looking guidance. But as ever we remain very optimistic about the future. Our growth prospects remain strong as penetration of monitored security in our existing geographies is still low. We see an attractive, high-quality runway ahead, and we are well set up to continue to unlock valuable growth into the future.

We are established as the leading provider of professionally monitored alarms for residential and small business customers across Europe and LATAM. We have significant scale – we estimate that we are over 5 times larger than the number 2 professionally monitored alarm segment player across our footprint. In 13 of our 17 geographies, we are market leaders in terms of the number of customers served. In other newer markets that we have entered more recently, we often already lead on

new sales. And of course, as a premium priced player we generally take leadership in revenue before customer count.

Moving to Slide 7. Lowering attrition remains a key priority for us. We discussed in previous calls that cost-of-living pressures on household incomes meant that in 2022 and 2023 some customers revisited household budgets and spending choices more frequently. We are primarily a consumer business, and we have never claimed to be immune from the macro pressure that families and small businesses face. But we have a highly resilient model; we limited the increase in attrition to only a very modest uptick. We estimate that other consumer facing subscription businesses were impacted more heavily.

The attrition reduction trend delivered over the past several quarters continued in Q2. Our customer base continues to grow, and quarterly attrition in the most recent quarter decreased 7 basis points year over year. As a result, our last twelve months attrition has decreased to 7.4%, down from 7.6% last year. And we are working to reduce further from these levels.

Overall, we believe this attrition performance not only leads our industry, but we believe that it is one of the lowest rates for subscriber-based consumer services overall.

Value creation is not just about the size of the total portfolio. We also focus on delivering strong unit economics, in both our customer acquisition and portfolio segments. In the fourth quarter we continued to see good progress here. Let's turn to Slide 8.

Starting with our customer acquisition segment, our CPA was 1,474 EUR in Q2. This is +6.7% in constant currency versus prior year, mainly driven by higher marketing investments, responding to the Google changes noted earlier and continuing to support product launches in some of our larger markets. This CPA increase is well within our corridor for new customer investment based on our Acquisition Multiple, which has remained broadly flat year over year at 3.6x.

Moving to our portfolio segment, we delivered a strong Q2 in terms of both revenue and costs. ARPU increased to 46.6 EUR per customer per month in Q2. This is up +2.1% in constant currency versus prior year. This has come from a well-executed, innovation-backed price increase in Q1, plus continued focus on upselling new products and services into our existing customer portfolio, as well as discipline on discount levels.

Operating cost efficiency continues to be a priority. We were very pleased with progress on Recurring Monthly Costs in Q2, which were 2.8% lower year over year. Our progress on cost contributed to excellent growth in EBITDA per Customer. We reached 34.4 EUR per customer per month, +4.0% in constant currency versus last year, and our strongest quarterly performance ever. This represents highly valuable, recurring profit growth.

With that, let me pause there and pass to Colin to provide a summary of financial performance.

Colin Smith:

Thank you, Austin. Let's turn to Slide 9 where we summarise our Q1 financial results. Note that I'll always refer to growth rates in constant currency, where applicable.

Thank you, Austin. Let's turn to Slide 9 where we summarise our Q2 financial results. Note that I will always refer to growth rates in constant currency, where applicable.

Overall, we delivered another strong financial performance in Q2. Total Group Revenues were €928m, up 9.6% year over year. Annualised Recurring Revenue was 3.262 bn euros, up 10.4% year over year. ARR is a measure of high quality, recurring revenues from our growing customer portfolio. Remember approximately 90% of our total revenue is recurring.

Group Adjusted EBITDA was €426m, up 12% year over year, with margins climbing to 45.9%, which is up 95 basis points year over year. This growth continues to demonstrate valuable operating leverage.

Q2 Portfolio EBITDA was €595m, an increase of 13% year over year. Portfolio EBITDA is our engine of profitability and cash flow and continues to grow at pace. Portfolio EBITDA is now well over €2.3bn on an annualised basis.

Our Q2 Group Adjusted EBIT was €236m, up 14% year over year, with margins at 25.4% in the second quarter. That's an increase in margins of 91 basis points compared to Q2 last year and emphasises the progressive margin expansion quality of our financial model.

Cash Flow from Operating Activities was €298m in Q2, up 1% year over year. Excluding working capital movements, our Operating Cash Flow increased 9% year over year.

Q2 Capital Expenditures were €239m, up 7% year over year. Growth primarily came from increased Technology and Innovation investment, as well as our investment of €17m in Q2 to upgrade existing customers with 2G or 3G hardware well ahead of the expected network sunset towards the end of the decade.

Net Debt at end Q2 was €7.7Bn, increasing just under 4% over the past twelve months.

And lastly, we had €387m of available liquidity at the end of the second quarter, from a combination of cash on hand and available funds under our Credit Facilities.

Looking to the chart on the right of the slide, we're particularly pleased with the significant portfolio margin expansion in Q2. This has been driven by another quarter of strong ARPU growth together with valuable progress on our cost programmes. Our cost transformation focus is on delivering sustainable, high quality cost reduction with no compromise on customer experience or service excellence.

Portfolio EBITDA Margins increased to 73.8% in the second quarter, 131 basis points up year over year. This represents our highest portfolio profitability ever and builds on our longstanding track record of portfolio margin expansion from our growing customer base.

Moving to Slide 10, we set out an overview of Cash Flow in the first half of 2025. Our H1 cash flow is anchored on €1.179Bn of Portfolio EBITDA. These are recurring highly predictable cash flows from our portfolio, which closed Q2 at over 5.8 million families and small businesses.

Our investment in customer acquisition was 639 million euros during the first 6 months of the year. This investment is made up of two elements. First, replacing attrition, and second, funding portfolio growth. Our capital allocation priorities remain clear: We will continue to deploy capital to acquire high quality customers given the significant penetration opportunity across our markets and the very attractive returns on capital we obtain.

Portfolio and Other Capex made up a €182m outflow during the first 6 months of the year. Portfolio Capex of 96 million euros relates to new equipment for existing customers, as we upsell and upgrade our customer portfolio. Continuing to innovate for our customers is a core priority, and Other Capex of 86 million euros includes investments in R&D, product & service innovation, software engineering and cyber security resilience.

Change in Working Capital was negative €141m during the first 6 months of the year. Our Working Capital was impacted by a few different factors. First, building inventory to support Lock Guard launch across our footprint and second a change in payment terms in a factoring agreement, increased our receivables. I expect working capital to normalise in H2 having made the investment in these items.

Also, during the same period, we paid €45m in Taxes, with Interest and Financial Items of €218m. As many of you are aware, our debt complex is primarily fixed. However, we are benefitting from reducing EURIBOR on the variable rate element of our debt. These charges are €36m lower than in H1 2024, the majority of this saving comes from lower interest costs on our debt.

SDIs and Other, which includes adjacencies and amortisation of lease liabilities made up an additional €52m.

So, in total, net cash flow before change in borrowings was €98m negative during the first 6 months of the year.

Turning now to Slide 11 we share an update on our net leverage position. As Austin mentioned in his remarks, in the second quarter we reduced leverage by 0.2 turns, down to 4.5 times. This means we have reduced our leverage ratio by 1.1 turns in the past two years.

We are pleased to have met the guidance we shared when we published our financial policy in February 2024. We intend to continue to reduce our net leverage, and we will provide new guidance in the upcoming months.

Finally, on Slide 12, we present a high-level summary of our business model. This sets out our long track record of delivering predictable, high-quality growth across our key performance metrics.

Starting top left with new installations, we've delivered excellent growth in new customers over the years. We have a relentless focus on high-quality customer intake with meaningful customer commitments and entry pricing in line with our base.

In parallel, we continue to focus on delivering best-in-class attrition levels. After a modest increase three years ago, driven by the generationally challenging macro and consequent pressure on household disposable incomes, we are now reducing attrition again.

Strong customer intake and sustained low attrition leads to consistent Portfolio growth. We've driven stable growth rates in our Customer Portfolio for several years and we're now proud to protect over 5.8 million families and small businesses across our 17 markets.

This volume growth is complemented by increases in customer profitability. As noted earlier, today we are reporting significant growth in the second quarter, increasing monthly EBITDA per Customer to 34 EUR 41 Cents, up 4.0%, year over year.

Taken together, we can see the impacts manifest on the right-hand chart, with consistent double-digit growth in our key profit and cash flow measure, portfolio EBITDA, to over €2.3Bn on an annualized basis.

Overall, and as Austin noted in his opening remarks, we're pleased with our Q2 results and the strong execution across the company. Our clear strategy continues to bear fruit, with innovation continuing to deliver, marketing investments driving demand and our large and growing sales force executing well and onboarding increasing volumes of high-quality customers. We focus on providing an excellent customer experience to our 5.8m customers, driving strong customer profitability, and supporting reducing levels of attrition.

So, that concludes our update today. With that, let's move next to Q&A. Operator, over to you.

Operator:

Thank you. As a reminder, if you wish to participate in the questions and answer session, please dial in to the telephone conference and press Star Five on your telephone keypad to enter the queue.

The next question comes from Ryan Jones from Barings. Please go ahead.

Ryan Jones:

Thank you for taking my question, and congratulations on the results. I have a couple of questions, if that's okay. Firstly, I think I know the answer to this. Are you able to provide any updates on the potential IPO? I understand you're restricted on what you can say, but I would be interested to know if the plan is to still look to IPO sometime this year or next.

Austin Lally:

Yes, we are limited in what we're able to say. I can't go beyond what I said at the end of February, which is that we're exploring strategic options for the company. When we've got something to report, we will obviously tell you.

Ryan Jones:

Okay, thank you. Then, just to clarify, you've met your medium-term leverage target. Did you say you're looking to renew that in the next quarter?

Austin Lally:

We said that in the future, we'll give updated guidance.

Colin Smith:

We're pleased to have met that guidance 18 months after we first gave it. We want to continue to reduce leverage. As Austin said, we will be refreshing that guidance over the upcoming months.

Ryan Jones:

Then just one final question, if that's okay. Do you track what your penetration rates are currently in your key geographies? I'm just trying to understand if this volume-led growth is more about taking market share or if it's just a higher market penetration rate. The market is growing, and you're growing with it.

Austin Lally:

The vast majority of the customers that we bring into the portfolio are people that never had an alarm system before. This isn't a churn market. It's a market where penetration is growing, of course, because we are the market maker. We think we take approximately two-thirds of the market growth, for example. I think we've already kind of said that in our publicly available investor presentation. However, the penetration opportunity, even in markets where we've been present for a long time, remains very significant.

Ryan Jones:

Then you obviously mentioned the expansion into Mexico. Are you looking to expand into any other geographies throughout the year?

Austin Lally:

We usually don't like to tell local competitors what we're about to do, but I would say that we don't have a plan to do anything beyond Mexico. That's going to be quite an interesting piece of work.

Colin Smith:

I think the one thing I would add, Ryan, is that the Mexico acquisition would be our first portfolio acquisition in eight years. Just to reemphasize the point we had made in the past about the company's strategy, we are primarily an organic growth company, and we intend to stay that way. Just to build a little on Austin's point earlier on, we see professionally monitored security penetration across our 17-market footprint only at around four percent. There is a lot of runway for us to go after organically.

Ryan Jones:

Understood. Thank you.

Operator:

As a reminder, if you wish to ask a question, please dial star five on your telephone keypad.

There are no more questions at this time. I hand the conference back to the speakers for any closing comments.

Austin Lally:

Thank you, moderator. Let me thank all of you for mostly listening in today and giving us an opportunity to update you on how we're doing.

If I just recap, we delivered a strong second quarter, characterised by high quality growth and new record highs for the portfolio, for our financial performance metrics. We are really proud to have more than 5.8 million families and small businesses placing their trust in us, every day.

We have excellent momentum in the business. I mentioned in my remarks new installations increasing between 4% and 5% year over year in July, after the quarter, and our increased profitability has helped lower leverage further to 4.5x in the second quarter.

We never take the trust placed in us by our customers for granted. We work very hard to earn their loyalty. We aim to learn from each customer interaction and to improve. We know that we can always do better.

We move into the second half of the year with confidence. Every one of our teammates looks ahead with optimism. We are well established as the leading provider of professionally installed and monitored security services for residential and small business customers in both Europe and Latin America. Our growth prospects are strong as penetration of monitored security has significant room to grow. We see an attractive, high-quality runway ahead, and we provide a service that is highly valued by our customers. We will continue to innovate and enrich our proposition to protect our customers better. We are just getting started and the best is yet to come.

So again, many thanks for your interest and support and for your questions. Colin and I both look forward to talking to you again next quarter.