

Transcription

Verisure Group Q3 2025 Results

26 November 2025

PRESENTATION

Operator:

Welcome to the Verisure Group third-quarter 2025 results presentation. Today, I am joined by 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 answers session after the prepared remarks, then please dial in to the telephone conference and press pound key five on your telephone keypad to enter the queue. Please note that you will not be able to ask questions if you have joined through the audio cast link. Now I will hand the conference over to the speakers. Please go ahead.

Colin Smith:

Thank you, operator. Good morning, everyone, and welcome to our Q3 results presentation. Today, you can find our Q3 results presentation, earnings release, and Q3 interim report on our Investor Relations website. We've also updated our trending schedules, setting out key operating and financial data over the last ten years. On today's call, we will go deeper into our Q3 results, address your key questions and provide several strategic updates. Austin will start with opening remarks covering key performance highlights. I'll then share more details on the financials before Austin comes back with strategic updates and closing remarks. With that, Austin, over to you.

Austin Lally:

Thank you, Colin. Good morning, everyone. Thank you for joining us on what is a very special day for Verisure. It's our first earnings call as a public company. Going public is not just an event focused on financing. It's a commitment to transparency, discipline and long-term value creation. As we open this next chapter, we're pleased to share a strong third quarter characterized by high-quality growth, consistent execution, and expanding profitability. My theme for the quarter is basically promises made, promises kept. Let's get into the presentation and turn to slide two. Verisure delivered an excellent set of results in the third quarter. Our growth was high-quality and broad-based. It was characterized by strong demand from new customers, alongside a significant increase in the profitability of our customer portfolio. Q3 is historically our lowest quarter for installation volume due to the summer period, and yet we delivered 214,000 new installations, up 5.2 percent year-on-year.

This is a clear signal of healthy underlying demand and the effect of commercial execution across our footprint. Annualized recurring revenue increased by 10.2 percent year-on-year at constant currency, reinforcing the company's predictable, high-quality growth profile. Excellent progress on costs supported a strong increase in Adjusted EBIT, which increased 17.1 percent year-on-year, with margins expanding to 26.8 percent in the third quarter. This combination of solid top-line

growth and disciplined margin progression remains a core attribute of Verisure. We also closed our acquisition in Mexico at the end of October, welcoming 685 new talents to the team and approximately 125,000 customers. We enter as clear market leaders with unit economics broadly at European market levels and are a profitable cash cash-generative portfolio. Mexico basically becomes our 18th national market. It further diversifies our base and extends our future runway of growth. As we look to the full year 2025, we expect IRR growth above 12 percent, and that would be above 10 percent organically, plus two percentage points for Mexico.

For the full year of 2025, we expect Adjusted EBIT in the range of 940 to €950 million. Our 2025 performance places us on track to deliver against our mid-term targets. Moving to slide three. We take a broader look at our third-quarter numbers. Our portfolio closed over 5.9 million customers, representing portfolio growth of eight percent year-on-year. When you add in Mexico, our customer base has already moved well past six million. That's a significant milestone for Verisure, but one that we see as only a waypoint on our journey, given the large addressable market opportunity we have ahead of us. As discussed, new installations increased 5.2 percent, a strong improvement from the second quarter. As the trend that we mentioned in passing in July continued through August and September. Total revenues increased 9.9 percent year-on-year, and ARR reached almost €3.3 billion. The recurring revenues generated by our portfolio reflect the long-term nature of our relationship with customers, whilst also offering stability and high levels of visibility.

The predictable nature of our portfolio revenues is an important driver of our financial strength. Finally, we were pleased with our adjusted EBIT at €250 million in Q3. This is our highest ever quarterly EBIT, and Q3 margin increased to 26.8 percent, and that's up 165 basis points year-on-year. The visibility of our revenues, it's complemented by consistent margin expansion. Turning to slide four. We've grown our portfolio by 439,000 customers over the past 12 months. The consistency of our delivery can clearly be seen in our consistent quarter-on-quarter portfolio growth, and our strong commercial performance is further reinforced by high customer satisfaction. On the right, you see our track record of low attrition. In Q3, our annualized attrition was 7.1 percent, and we have delivered 7.4 percent on average over the last 12 months. The portfolio remains very stable and well within our attrition corridor. Now, we consider our attrition rate is not only the lowest among our industry peers by far, but among the lowest globally within consumer-facing subscription businesses.

Now, this success starts with ensuring a quality customer intake. We then strive for operational excellence across all customer touchpoints, and our data and analytics expertise enables us to identify and address both visible and inferred detractor. Our strategy remains consistent, and our teams continue to execute well. As the clear category leader in our footprint, market maker taking two-thirds of the market growth, we are excited about the opportunity ahead of us. We have a playbook that's tried and tested. It continues to increase our competitive mode, and importantly, at the end

of Q3, I would like to thank all of our 30,300 teammates who delivered this excellent quarter of results. I'll now hand over to Colin to run through our financials in more detail.

Colin Smith:

Thanks, Austin. Let's turn to slide six. A note that I will always refer to growth rates and constant currency where applicable. We delivered an excellent quarter of broad-based growth in Q3. Total revenues were €933 million, up 9.9 percent year-over-year. Annualized recurring revenue reached €3.292 billion, up 10.2 percent year-over-year. RR remains our primary top-line metric, reflecting the long-term nature of our customer relationships and providing a foundation for our consistent and compounding growth. Adjusted EBITDA was €443 million in the quarter, up 11.6 percent year-over-year, delivering a margin of 47.4 percent, an expansion of 100 basis points. Lastly, our Q3 Adjusted EBIT increased 17.1 percent year-over-year to €250 million. We were particularly pleased with EBIT margin expansion in Q3 increasing to 26.8 percent, which was supported by continued progress on ARPU and effective management of our costs. On a year-to-date basis, our Adjusted EBIT margin is 25.8 percent, up 94 basis points year-on-year at constant currency. Let's turn to slide seven, please.

Austin talked earlier about our new installation growth, up 5.2 percent versus last year. We maintained July's growth throughout Q3. Navigating well around previously discussed changes in the digital ecosystem. Our growth remains disciplined, we optimize for new customer volumes, always ensure customer intake, quality and stay focused on customer acquisition cost. I was pleased with customer acquisition in Q3 at €1,486 and up 5.2 percent year-over-year, which was lower year-over-year growth than we saw in H1. We made excellent progress on direct procurement, with hardware costs down around two percent year-on-year. As a reminder, CPA will naturally ebb and flow, but given the quality of our customer intake and customer lifetime value returns remain compelling. In terms of investment and new customer acquisition, an important metric is acquisition multiple. We continue to generate very strong returns on new customers, with our acquisition multiples stable at 3.6 times in the quarter. Organic new installations generate a 20 percent IRR measured over a 15-year time frame.

We also increased our sales force by around three percent year-over-year, and with installation growth at 5.2 percent, we captured additional productivity across our 12,000-strong sales team. Let's now turn to slide eight to look at our customer portfolio performance. Q3 monthly ARPM was €46.2 per customer, up 2.1 percent year-over-year. This continues our long, unbroken track record of consistent, ARPU growth. Our innovation back price increase in Q1 has sustained well through 2025. To further support our ARPU, we've increased entry pricing from new customers. We've talked about this before, but it's an important part of our strategy to avoid any front-back group dynamic. We also remain highly disciplined in terms of portfolio discounting. We continue to increase upsell propensity, adding new products and

services to existing customers in the third quarter. In Spain, our largest market, we upsold over 24 percent of the portfolio in Q3 on an annualized basis, which was up one percentage point year-over-year. Upselling provides an opportunity not only to increase output, but also importantly, to increase usage and consequently lower attrition.

On cost, recurring monthly costs were €11.77, which was down 3.8 percent year-over-year. This was where we put a lot of focus in the quarter. Q3 typically benefits from a lower nominal RMC due to vacation patterns and workload reduction. We continued to push our digital-first program, first-time resolution and AI tools and contact centers to reduce cost without compromising experience. Austin will expand on this later in the presentation. As a result of both higher ARPU and lower RMC are leading measures of portfolio profitability, EBITDA per customer increased by 4.2 percent year-on-year to €34.40 per customer per month. This growth is consistent in Q3 and year-to-date, again underscoring the valuable predictability in our high-quality portfolio. We often calibrate how to best optimize EBITDA per customer on a quarter-to-quarter basis. Focusing more on ARPU vs cost as fits the season and the momentum of the business. All in, this means that for the year to date, we have delivered a portfolio margin of 73.9 percent, which is up 124 basis points year-on-year.

Turning next to cash flow. On this slide, I've set out cash conversion excluding working capital as well as free cash flow before financing. Cash conversion remains stable at 69 percent in Q3 and continues a progressive multi-year trend. In terms of net cash, our net debt increased by €27 million in Q3, a lower outflow quarter on quarter as we move through an inflexion point on cash. As a reminder, this performance does not yet include benefits from debt paydown subsequent to our IPO. In terms of working capital, we reduced our outflow to €20 million in the third quarter, reflecting inventory normalization after H1 builds. Let us now turn to slide 10. We reduced our last 12 months net leverage by 0.1 turn to 4.7 times, a 0.4 turn reduction year-over-year. Proforma for IPO and Mexico acquisition are last 12 months net leverage is approximately three times, and in line with our guidance. We reaffirm net leverage guidance of 2.5 to 2.75 times at the end of 2026, and expect to initiate ordinary dividends in the second half of 2026.

In late October, we concluded our post-IPO refinancing program, completing a new seven-year, €1.25 billion term loan priced at our LIBOR plus 225 basis points with a leverage ratchet. This followed the completion of a new five-year, €950 million revolving credit facility and a €1.2 billion term loan A. Both instruments have initial pricing at at our LIBOR plus 175 basis points, again, with margin step-downs as leverage declines. Post-IPO refinancing, we have a well-diversified capital structure to support our growth in the coming years. Our next maturity is February 2028, with our debt complex approximately 65 percent fixed. We were also pleased to secure three-notch rating upgrades from Moody's and S&P Global. We are now rated Ba3 by Moody's and BB+ by S&P with a stable outlook. This positions R-rating one notch

below investment grade. We believe these upgrades reflect our proven characteristics as a quality growth confounder with strong cash generation potential.

We remain confident in our guidance to lower our weighted average cost of debt from 5.7 percent in 2024 to between four and four-and-a-half percent in 2026. This will lead to lower interest expenses of between €200 and €220 million in 2026 versus 2024. Lastly, before I hand back to Austin, let's turn to headline guidance on slide 11. We confirm that we expect 2025 ARR growth to be above 12 percent, made up of above 10 percent organically plus around two percent from our Mexico acquisition. We expect Adjusted EBIT to be between €940 and €950 million for the full year 2025. This already embeds the currency devaluation we saw in Q3 in LATAM, particularly in Argentina. We have high confidence in continuing to deliver our medium-term guidance. We are a category-creating growth confounder, fully focused on continuing to generate long-term value for all investors. Thank you. With that, I will now pass back to Austin.

Austin Lally:

Thank you, Colin. Let's turn to page 13. This is a reminder of our playbook. We talked a lot through the IPO about how we win. This playbook, tried and tested, is at the heart of how we continue to unlock growth across our footprint. First up, category-defining innovation. We invest in developing our proprietary technology and hardware to bring new products and services to new and existing customers. We aim for an increasing cadence of delivery, broadening our suite of services, and I'll share two examples later. Our investment and innovation bring many benefits, driving new customer demand, lowering attrition through increased usage, creating upsell opportunities, and lowering our operating costs through carefully designed products, and ultimately expanding our addressable market. Scale on investment and innovation is important here. As a reminder, we are five times the size of the number two in our category, and that gives us significant capacity to invest and grow ahead of competition with an advantage that increases year-on-year.

We recently announced the expansion of our global technology organization with a new additional site in Alicante. The opening of this site reflects our commitment to continue investing in technology and innovation. The expansion will further enhance the group's global technology capabilities and provide access to a broader talent pool. Second, category-creating marketing. We invest in brand through high-impact media and marketing. We invested around €220 million in the first nine months of 2025 to drive demand and expand our share. Third, we grow and maintain a large, high-performing sales team with 12,000 security experts, and this go-to-market muscle delivers unmatched speed and quality of response. Our scale also supports the development of valuable growth partnerships and alliances. In October, we announced the addition of MasOrange as a commercial channel and our largest market spin. MasOrange is now the leading telecommunications operator in Spain with a 30 million customer base.

Starting on April 26th, this agreement leverages the strengths of two industry leaders to offer customers a seamless experience across security and telecommunications. Fourth, we deliver a first-class customer experience. Our customer care quality remained consistently high. In Q3, for example, we provided onsite assistance to over 94,000 customers who required the intervention of police, fire, ambulance or a security guard protecting our customers when it matters most. Lastly, our model is underpinned by a strong team with a strong culture. Our values embedded in our DNA foster a culture of high performance. Building on the employer recognition awards earned last year, we have now received employer awards in all 18 countries in which we operate, including Great Place to Work, Top Employer and the Financial Times, Europe's Best Employers 2025 list. I'm also very pleased to share that last week we achieved our highest-ever company score of 88 in our annual Employee Engagement Survey.

That's up two percentage points versus last year, and the overall participation rate was very strong at 95 percent. These results are a testament to the dedication, the high morale and the deep engagement from our teams. Moving on, we'll focus on some of our recent product launches. Slide 14. In the third quarter, we continued to exploit and monetize new products and services across our footprint. We've built strong momentum with LockGuard, our monitored connected door lock. In the third quarter, we achieved over 20 percent attachment to new sales in Spain, with earlier reductions in like-for-like attrition driven by usage and convenience. We've installed approximately 175,000 units since the launch in Q2, 2024, and that's still less than three percent of our customer base, highlighting the runway for upselling LockGuard. LockGuard has been awarded product of the year already in four of the first countries launched. Let me look at GuardVision on slide 15. This is our AI-enabled outdoor camera.

We've started in France, and that launch generated a record month for bookings in July, with over a 15 percent attachment rate to new installations in residential villa's. GuardVision is an outdoor camera detector, enabled with HD video and computer vision AI technology. This ensures that we minimize false positives, and that can often be the issue outdoor with atmospheric changes, with other weather impacts like very bright sunlight. This product extends our total shield concept now to the edge of the garden. We designed the product to meet the number one piece of feedback on aspirational products from customers. Strong, accurate outdoor protection is something that customers have been asking for a long time. GuardVision has already won a Red Dot Design Award and we continue now the geographical rollout. Slide 16 highlights some AI use cases that we're deploying across the business to deliver growth, as well as supporting our long-term margin target of 30 percent. The AI program is funded and managed centrally, supported by a growing team of data scientists. We're starting with the core of improving verification accuracy.

Computer vision AI technology on the edge improves our accuracy and our speed of

action, all verified by our monitoring agents who provide the ultimate verification, the human touch, in moments that really matter. This reduces false alarms and improves detection quality without adding additional headcount. Ultimately, this positively impacts our core economics, and we're operationalizing it at scale to improve accuracy, accelerate response times, and boost productivity. Cost transformation is embedded in Verisure, and we continue to focus on workload reduction and the eradication of manual processes. As always, we target sustainable, high-quality cost reduction with no adverse impact on customer experience. AI-backed speech analytics tools in our contact centers automatically transcribe call notes onto customer accounts, saving time and increasing accuracy. We're also launching AI-backed knowledge and learning tools to contact center agents in real time during customer calls to help lower code durations, and enabling more accurate issue diagnostics. We've also introduced sentiment analysis technology to our contact centers.

Based on generative speech analytics. This technology uses AI to analyze conversations with our customers for keywords. This enables us to follow up on a proactive basis, if required, to reduce invisible distractions. To close, let's turn to the next slide, slide 17, and our key takeaways. We are pleased with our strong third-quarter results, which reflect excellent execution across the organization. The quarter underscores the continued momentum within the business. Our clear strategy is bearing fruit with innovation continuing to deliver market and investments, drive and demand, and our large and growing Salesforce executing well and onboarding, increasing volumes of high-quality customers. Today, we're very pleased to confirm our 2025 outlook of above 12 percent ARR made up of above 10 percent high-quality organic growth, complemented by an additional two percentage points of growth following the Mexico acquisition. Our Adjusted EBIT is expected to be at €940 to €950 million for the full year of 2025.

Finally, we remain on track to deliver against our mid-term guidance. Promises made, promises kept, and we've got high confidence in our medium-term outlook of around 10 percent ARR growth and continued EBIT margin progression towards 30 percent. With that, I would now like to hand back to our operator. Colin and I look forward to taking your questions.

Q&A

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 pound key five on your telephone keypad to enter the queue. If you wish to withdraw your question, please press pound key six on your telephone keypad. We will take a short pause as we wait for the first question. As a reminder, it is pound key five to join the queue. Thank you. The next question comes from Anneliese Vermeulen from Morgan Stanley. Please go ahead.

Annelise Vermeulen:

Good morning, Austin and Colin. Thank you for the presentation. I have two questions. I'll take them one by one, if that's okay. Firstly, regarding the reduction in RMC, you referenced seasonality, but I would assume that you benefit from seasonality each year in Q3. When we consider that year-on-year decline, was the seasonality effect just especially higher this year, or was there anything else driving that? You've talked about the AI-based tools, so is it fair to say that the savings from some of those AI enhancements are running a bit ahead of your expectations?

Colin Smith:

Hi Anneliese, it's Colin. Let me take that one. Look, I think first things first, we were very pleased with the Q3, RMC. We delivered €11.80 in the quarter, and that was down 3.8 percent year-over-year. I think the first thing to say is that that doesn't just happen by accident. There's a lot of hard work and a lot of focus going into that from across the business. Now we do get a slight seasonality help in Q3. More broadly we see lower workloads, and we also see slightly lower upgrade activity on the ARPU side, and that's because it's holiday season, and we have customers and staff obviously taking a bit of a break. However, you're right. It's a year-over-year variance. The two things that we were particularly pleased with were, firstly, we had higher up usage from our customers, so higher digital interaction. That basically allows customers to self-solve more of the problems that they might encounter without having to contact our customer service centres. The second one, and really our largest single component of RMC is maintenance visits.

We saw lower maintenance visits on a year-over-year basis. We put this down to our increased diagnostic capability, and what that means is that customers can either fix an issue with their hardware themselves or more often, contact centre advisors can work with the customer to rectify the issue using diagnostics and diagnostic information that comes to them from the system. Of course, that means that we don't have to roll a truck and we save around 50 or €60 each time we manage to do that. I think when I look at the quarter-on-quarter variance at 3.8, I would probably point to the year-to-date variance at 2.2 percent of a saving as being a bit more representative of when I would think about going forward. I think to your question on AI, we still stand on the threshold of AI as Austin talked about. We're excited about what's to come. We're already rolling out AI tools across the contact center estate, but I think we're only at the beginning of that, and there's more to come.

Annelise Vermeulen:

Brilliant. Thank you Colin. Then secondly, just on the growth in new installations, do you have a sense of how much of that 5.2 percent included some form of catch up effect from Q2? I'm just thinking about that 3.2, I think, percent year-to-date run rate as more indicative going into Q4 and for the full year.

Austin Lally:

I think we were very pleased with it. It's not clear to us, actually, if there is a sort of a catch up. I think it's just more about stimulating customers at the moment. Basically, that traced to very good market and execution, basically leading to more bookings, and that was the thing that we adapted to coming out of Q2. They ended up as our best ever third quarter, which we were very happy about. In terms of like how we feel, we feel confident, right? We still see demand out there, and we think we've got a business model that works. That's one of the reasons why today we wanted to firmly just reiterate our confidence in the guidance we give.

Colin Smith:

If I can just add one thing to that, I would point to the fact that the Q4 that we delivered last year was a significant growth quarter. We were up 6.3 percent in Q4 last year, year-over-year, and that was driven by a couple of things. That was driven by the LockGuard launch in France and Italy, and it was also driven by a particularly effective promotion that we ran over in Spain. That's just kind of worth bearing in mind as we think ahead to Q4.

Annelise Vermeulen:

It's very clear. Thank you both.

Austin Lally:

Thank you.

Operator:

The next question comes from Joachim Gunnell from DNB Carnegie. Please go ahead.

Joachim Gunnell:

Thank you. Good morning. Given that we're well into Q4, and you've obviously been very confident about this three-year guide. However, can you share some thoughts with regards to sales pipeline activity, installation trends, customer retention, et cetera, for what you have seen so far in Q4, and if there are any notable changes relative to Q3?

Austin Lally:

I think I'm just going to make a statement. We're confident about our guidance. I think that now that we're a public company, we've got to be careful about going further than what we've already published in the Q3 report, where we guide on ARR growth and the Adjusted EBIT margin. We're not going to guide on very specific metrics like cancellations or booking numbers because, by the way, it's a very, very long list.

There's almost a limitless list of things you could ask me about. However, hopefully you get from our tone. We're reiterating the guidance. We've always been a long-term growth story.

Joachim Gunnell:

That's very clear. However, if we just look at the call, it is the free cash flow dynamics here. You obviously saw a very, positive trend here in the portfolio reinvestment rate in Q3. Are there any seasonal effects that we should consider here for Q4, or can we anticipate a continued reduction in the portfolio reinvestment rate? Perhaps you can just make a comment on this net working capital dynamic for Q4 and whether that sets up a sequential uptick here or, on a group level, free cash flow.

Colin Smith:

Let me pick that one up. I think in terms of cash generally and working capital specifically. I think on slide nine in the presentation, we set out the fact that we're seeing good sequential progress in our free cash flow, from Q1 and Q2 and then again into Q3, where we were 27 million of negative free cash. As a reminder, as I said in my remarks, that's before any of the IPO or debt paydown effects that we enacted just at the beginning of the fourth quarter. Working capital moved closer to neutrality in the third quarter, so it's negative €20 million. I still expect positive working capital in the second half of the year, as I've said previously. We think about cash more broadly and the portfolio reinvestment rate. I don't think there's anything particularly seasonal to pick up on your question that we should expect to see in Q4. I think we were very, very pleased, again, to see a point or so of a reduction in that metric, which is so important to driving cash flow generation. My summary on cash is that we stand by, and we reaffirm the leverage guidance that we've given, which is 2.5 to 2.75 times by the end of 2026.

That includes our commitment to paying our first dividend in the second half of 2026. Just one final factoid that might be useful as you think about how the dimension lies in our cash. In the third quarter, we incurred around €20 million of IPO specific cash cost in the third quarter. As you think about that negative 27 million, that's probably an interesting element of that performance. Just to bear in mind.

Joachim Gunnell:

That's very helpful and reassuring. Thank you very much, both.

Austin Lally:

Thank you.

Operator:

The next question comes from Suhasini Varanasi from Goldman Sachs. Please go ahead.

Suhasini Varanasi:

Hi. Good morning. Thank you for taking my questions. Just a couple for me, please. Can you perhaps remind us how you expect RMC to evolve in 2026 just because you're a public company now? Do you anticipate any higher costs linked to being a public company to be included within the RMC next year? Maybe just one on the upselling, clearly, all the innovations are helping. You mentioned how upselling has helped a little bit on the output side. How much has it contributed to output increase, and how do you expect that to evolve over the next couple of years? Thank you.

Colin Smith:

Let me pick up the first one. Thank you. What I'd take the opportunity to do here is talk a little bit about EBIT margin progression and how we see that in 2026 more broadly. I think we've talked about progressive margins to 30 percent over the long term. We do expect to see positive growth in 2026, but at a lower level than we see in 2025. Again, as we would expect also in 2027. The reason for that is two things. We've talked about the rebrand, that we are beginning to undertake. We started in Portugal three weeks ago, and we intend to get started with Spain next year. That will basically lead to an increased CPA, as the majority of those costs sit in our operating expenses. The second thing to your point specifically, is around PLC cost, and we would expect to see around €10 million of one-time step up in RMC to basically take account of those costs of becoming a public company. Now, those are recurring, but we see them as being a one-time step up that impacts our 2026 margin development.

Austin Lally:

I guess on the upselling question, what we've talked about historically is if we would increase our ARPU, typically 2.5 percent, for example, in a period, you might get a bit more than 50 bps from that from upselling. That's something we think we're obviously going to grow over time. As we took Spain as an example, Spain in Q3, actually, on an annualized basis, they upsold something new to 24 percent of the customers, and that's up a point year-on-year. Obviously, as the pipeline of new ideas like LockGuard, like the GuardVision, outdoor protection becomes available, we end up having a richer set of opportunities to take back to customers.

Suhasini Varanasi:

Thank you.

Operator:

The next question comes from Andy Grobler from BNP. Please go ahead.

Andy Grobler:

Hi. Good morning. Just a couple from me, if I may. Firstly, just in terms of regional growth other Europe was the strongest, strongest of your regions. Were there any notable differences across across the countries there? And then secondly, on on refinancing that looks to be complete. Can you just confirm that you're you're done. Or is there anything else left to to happen? And also you talked about some, some benefits from deleveraging within that refinancing. Could you expand a little on that please. Thank you.

Colin Smith:

Well why don't. Andy thanks for those. Why don't I pick up on refi. Then and then pass for Austin for your other one. look, I think as we intimated in the update we're really pleased with how we've gotten on on the refi front over the course of the past, 6 or 8 weeks, we basically refinanced €3.4 billion of term loan A, term loan B and An RCF. The term loan and the RCF, for example, are priced at Euro plus 175 basis points. And we also have a ratchet mechanism in there that will see that margin reduce, over time. we receive three notch upgrades from both Moody's and S&P. As I said and we've got all we're all very focused on on getting ourselves formally into investment grade over the course of the next 12 to 24 months. Now, in terms of savings, as we watch through the IPO process, I was clear on guidance here, and I talked about €200 million of savings from lower interest costs as we walked through the refinancing. I think we are comfortably at that level. And I think we we would expect to deliver slightly higher, slightly better savings. So we've currently got an expectation range of between 200 and €220 million, which will crystallize from 2026. Just a couple of points on on the debt stack, because I think it's important I touched on this earlier. You know, we're 65 percent fixed. Our next maturity is not until Q1 2028, but we've actually got another tranche of refi likely in the first quarter of 2026. And that will be around €1.5 billion worth of debt, including those maturities that come in 2028. So we'll be moving those out. Still further, I think this puts us in a good place. I think it gives us a balance sheet for all seasons. I think it sets us up well for growth over the over the years ahead. so as I say, punchline is that we guided 200 million. I think it will be slightly better and better than that. On interest cost savings from 26.

Austin Lally:

On on the on the geographic point, I'm glad you've noted that other Europe was such a strong contributor to our growth. that was a key message that we wanted to communicate. You know, at the time of the IPO, more than 50 percent of our growth, obviously now coming from that cluster. I will say actually pretty broad based. And I don't necessarily want to go country by country. What I would what I would say in particular, if I think about scale, very happy with the position that we've built in France. Right. That's now our second biggest market and, and sort of coming up on the rails if you want to use a horse racing analogies. Italy. Right. Italy has really been one of our top performers like over, over recent years. And these are two big economies with a lot of villas, but with quite a low level of penetration.

Colin Smith:

If I can if I can, if I may just start a slightly technical point if, if you look in the interim report, Andy, or disaggregation of revenue by geographic cluster, you see that growth, as you rightly say, other Europe was led the way. 11.6 percent year-over-year growth in Q3. The one that's worth noting is Latam, where we grew our reported revenue by 5.7 percent. And again, that was against the backdrop, as we've talked before, about significant currency revaluation in Argentina in particular and also in Chile. So that's the reason why the Latam growth. On the face of it, kind of looks a bit lower than we've seen on a year to date basis.

Andy Grobler:

Great. Thank you very much.

Operator:

The next question comes from James Rowland Clarke from Barclays. Please go ahead.

James Rowland Clarke:

Good morning. Thanks for taking my questions. My first is just on the on the outlook of EBIT 940 to 950 million. Can you just confirm where you think consensus sits at for your estimates? And also I think that implies across that range, about a two percentage point drop in the margin at adjusted EBIT in Q4. Is this seasonality? Is this the typical amount of seasonality we should expect in that margin in the fourth quarter? Or is there some scope in there for you to grow customers faster than you currently guide? My second question is on working capital. can you just confirm expectations of an inflow of cash in the fourth quarter? I think it's Q2. You were talking about the second half having an inflow as inventory levels normalized, but you've still got an outflow in Q3. So you just want to check the sort of scale and direction of the fourth quarter. And then my third question is on recurring monthly costs. I appreciate it's a long, long runway of of initiatives to come, but can you give us a sense of, of of to what extent or how much of your estate you've rolled, rolled out those recent initiatives across to date. Thank you.

Colin Smith:

Sure. let me let me pick talk a bit about EBIT first. I mean consensus. We've got around €940 million. as published last week. And we are, as we talked about, guiding €940 to €950. I would point to the fact, not so much that Q4 was going to take a step down in EBIT margins, but really, Q3 was a little bit higher than you would expect. And again, this comes back to the point I made earlier about some slight seasonality in our Q3 numbers. And on a nominal basis, that means that our RMC is a bit lower because of workloads. and that then in turn enhances those margins. Our Q3 EBIT margin was 26.8 percent. And that will basically come back to what we consider to be a bit more of a normal level. in the in, in the fourth quarter, on a on a year to date

basis our margins are actually at 25.8 percent . So it just shows you that we've delivered an extra 100 basis points of margin, in the, in the third quarter. So nothing particularly seasonal to to kind of note, as we look at Q4, let me just pick up your second one, which is on working cap. as I touched on earlier we are committed and we do have have high confidence in the fact that working capital will be will be positive in the second half of the year. we did kind of get much closer to neutral, in the, in the third quarter. and we expect that to be, as I say, positive overall for the second half. James, you had the third one. You just remind us.

James Rowland Clarke:

The, AI initiatives and cost savings initiatives in your in your install base in terms of contact centers assisting customers to solve problems with the hardware and so on. how much of your footprint have you rolled that out across? To date? I'm just trying to think of the sort of sustainability and runway for for further improvements on recurring monthly costs.

Colin Smith:

Thank you. importantly we don't typically when we launch an AI led transformation initiative or piece of technology, we don't launch it broadly across the entire group. We tend to pick a market, and we we test it and make sure that we can optimize before we then take it to other markets. And it's different initiative by initiative. You know, we've got a broad suite that are either starting to be launched or indeed coming soon. So our latest calculations. And it's tough to be particularly precise on this. Right. Is that so far? AI is saving us around \$0.20 of RMC per customer per month, but clearly that's going to grow at pace. And I think the decision for, Austin, the team and I is really just making sure that we don't overload and that we can launch things in a measured way and make sure that we can we can take advantage of things that work well with certain customer types or indeed in certain markets.

Austin Lally:

Well said. I'm just going to just add a comment on top of this, which is it's actually possible in general. I spent obviously quite a bit of time externally looking at what other people are trying to make happen with AI. it's possible to actually take out more cost, but at the expense of the customer experience and the accuracy. And the reason that we're cautious and methodical in the implementation is to make sure that we actually deliver better customer outcomes. A good example of that would be in monitoring, for example we're we're not trying to eliminate monitoring center agents, right? In fact, that's not a big part of our cost. What we want is to enable those agents to verify real incidents more accurately, so that they can give a better experience to the customer. So we're looking at AI basically through both sides. One is to do the job better and the other one is to find efficiency. Right. And we got to kind of balance those two things.

James Rowland Clarke:

Thank you very much.

Operator:

The next question comes from Raymond Ke from Nordea. Please go ahead.

Raymond Ke:

Hi. Good morning. A couple of questions from me. I'll ask them one by one, if that's okay. first, I know you do not operate with a separate front book and back book dynamic, but we've noticed a lot of advertisement with the discounted prices here in Sweden lately. And I'm just wondering, is it correct to say that you're balancing this with higher output elsewhere? And for that reason, we should not expect volume growth to become a bigger driver than ARPU ahead than it has been in the past.

Austin Lally:

The way you should think about the marketing model actually, is the promotions that we advertise to create demand are then followed when the salesman is at the customer's table with an opportunity to upsell to larger packages and to add extensions to the system. So you shouldn't equate what you might call a promotional hook designed to start a conversation with what they are to eventually ends up being when the customer buys from us. we've always had a promotions in our marketing, but we still have this effectively balance between the front book back bookers call and pointed out. So what that means if you want to try, and if you want to try and buy from us in Sweden, which I strongly encourage. You might not end up getting the deal you think you're going to get, because you're going to be so impressed by the technology, you're going to buy more.

Raymond Ke:

That sounds sounds lovely. My second question on the high attachment rates for low guard in Spain and the guard mission in France. I assume this helps boost or there a dynamic of them cannibalizing on other products, or are they sold largely standalone? That sort of mitigates any positive or how should we think about this?

Austin Lally:

There's a big cannibalization because sometimes customers will choose, I'll take outdoor protection, but maybe I'll take fewer other devices. But it's it's still significantly incremental. Right. Which is why when we put those, new devices and we're actually getting higher levels of proof from those customers. Also worth pointing out about the attachment rate. They tend to build over time, right? And not not just because of consumer education, because of Salesforce education. when we try to put a more complicated new product out into the field, the toughest critics actually are on Salesforce. with Lock Guard, it was a really cool idea. But the biggest

challenge we had on lock guard was persuading salespeople that it was easy to install because in the early days, they get a bit scared a bit starting to launch into an installation where they're messing around with the customer's lock and they worry they're not going to get it finished. So that's why we've kind of been at this since Q2 2020. For now, we've got up to 20 percent attachment, but we think that's going to build over time as the customers understand it better as the Salesforce get more comfortable selling it.

Colin Smith:

Just reminding you about our dynamic that we often kind of come across, which is the relationship between an upfront revenue in the case of an upsell or even a new customer, for example, an ongoing review. And we will always basically prioritize ongoing ARPU increase because of our long 15 year customer lifetime. So if we can upsell an existing customer a lot, God, then we can cover the cost of the hardware as an upfront, but add €3 to €5 on our monthly ARPU. That's absolutely the direction that we will take.

Raymond Ke:

Got it. That's very helpful. And just maybe one final one regarding ADT Mexico acquisition how long, do you expect it to take to integrate it now that you've sort of seen it and maybe have had some time to look at it? How many months do you expect it to take for it to reach Normalized growth and margins levels in line with the other geographical markets.

Austin Lally:

Listen, the first thing to say, is there's nothing to integrate it into. Right. In the sense that we don't exist in Mexico today. So, the way to think about it is we're going to take over that talented local organization because it's a leadership organization, and we are going to add to that organization some of our Verisure capabilities, obviously calling you'll have to figure out the financial plumbing, like fit it into our systems and just make sure that we we get the benefits from it. But it's it's it's not a complicated it's not a merger between companies. It's about how do we take this asset and add value to it.

Raymond Ke:

Got it. Thank you very much for answering. I'll get back in line.

Operator:

The next question comes from Jane Sparrow from J.P. Morgan, please go ahead.

Jane Sparrow:

Good morning. Just just one question from me. You touched on the rebrand in an earlier answer. It's early days. I know, but perhaps. Can you give us a bit of an update on how that rebranding project, and perhaps also the 2G 3G upgrade, are playing out in terms of customer response and and upsell and whether it's playing out as you expected.

Colin Smith:

Well, yeah. Why don't I pick 2G, 3G.

Austin Lally:

And I'll give you a cheeky answer on the rebrand.

Colin Smith:

I think to 2G, 3G, as we've talked about before we're already well underway. and you know, we're still receiving from customers a very strong kind of customer feedback and a good level of monetisation. Importantly, when we do upgrade customers, we're making really good progress. So we're now down to around 2.3 million customers overall. that that need to be upgraded over the next six, 7 or 8 years. that's less than 40 percent of our portfolio. the net investment in those customers is still around 150 to €200. So we're making a return on that investment by extending the customer lifetime only marginally by around five months or so. If you look in the interim report, you'll see our portfolio CapEx reflects the fact that this year we've we've spent around €50 million in CapEx on 2G, 3G. I would reiterate our guidance of €75 to €100 million in 26 and 27, and then a real step down, because by that point, we'll have gotten through the vast majority of that upgrade program. Again, our approach and our attitude here is to is one of aggressive patients, right? We want to try and get as many customers upgraded. Well, ahead of the telco network sunsets as we possibly can because we know that that brings a better customer experience and also, importantly, a better level of monetization.

Austin Lally:

Yes. Very good. On the rebranding. first of all, the the legalistic comment is that the rebranding activity kicked off in Portugal on October 22nd. So it technically has an event outside the quarter. Right. That's the sort of the cheeky legalistic point I will say. It's very early days, therefore it's only a few weeks, but we're really happy with the visibility that we've now created in the Portuguese market. you know, strong TV plan. I think we talked about this at the IPO. What we were going to do. So significant step up in reach to Portuguese consumers. Strong outdoor presence. Strong digital presence. Really focusing on educating Portuguese consumers that in fact, you know Verisure, and Securitas Direct, are the same excellent company that it's always been, happy with how the early steps are going. One thing I will tell you, the people that it landed brilliantly with for the Portuguese organization, it's been a really big morale booster for the Portuguese team because they see it as a future and they see

it as the company really stepping in to invest there. But we'll have more to tell you, I think, in Q4.

Jane Sparrow:

Thank you.

Colin Smith:

Thanks, Jane.

Operator:

The next question comes from Erik Lindholm from SEB. Please go ahead.

Erik Lindholm:

Yes. Good morning Austin. Colin. Everyone else, thanks for taking my questions. so I just wanted to ask on on the partnership with Mars Orange that you mentioned. Sounds promising. can you give some more details, perhaps, on how this is shaped? Will they be adding sort of reassuring to the bundles or help promote you in their commercial channels. I'll get back to it with a second question. Thank you.

Austin Lally:

Listen, I think the the big opportunity here is all your channels are an opportunity to sell. they've got a very big retail footprint across the country. thousands of opportunities. Plus they've got fueled sales partners, plus they've got a strong telesales operation. They're actually known for being very good on their ability to use data and analytics in terms of targeting potential customers. So I can't put a number on it. and it'll take time to build, but we're very excited about it. What that effectively means now is we're going to have a very strong telco partner, alongside having a very strong banking partner with Acacia and a very strong insurance partner with Mapfre. And in all these partnerships, there's obviously a rev share, you know which. Which is always designed to be a win win for both parties. You know, we try and create some value for the partner. We think they also get a benefit, by the way, not just financially but but also on things like attrition and customer stickiness, which I know is appreciated. and it's a way of bringing additional growth to us. On efficient acquisition economics.

Erik Lindholm:

Perfect. That makes sense. And then just I wanted to follow up on, you spoke about the Mexico acquisition, but I wanted to follow up on M&A more broadly. So having done Mexico, do you think there are other attractive M&A opportunities out there? And how do you prioritize this sort of more broadly versus increasing or decreasing organic reinvestment? Thanks.

Austin Lally:

I think no change is strategy, which is we look at everything and we say no to most things, right? we've got an M&A director in the company who I always say is one of the least productive employees. Except he creates so much value by saying no to things, right. Generally the portfolios that are out there, they're often lower priced with higher attrition and with old technology. So we're super selective. Right. so we never rule out like attractive inorganic opportunities. But our track record shows us that most of our playbook. Right, is organic.

Erik Lindholm:

Excellent. Thank you.

Austin Lally:

Thanks, Eric. Thank you.

Operator:

Thank you for your questions. I will now hand over to CEO Austin Lally for closing remarks.

Austin Lally:

Well, thank you very much for all of your your questions and your, your interest today. I just want to express my appreciation at the end of this quarter. To all of our teammates across the year for their hard work and their unwavering commitment to our customers. And as we look ahead, we believe we're well positioned for the future on strategy, on industry leading innovation and on disciplined operational execution. You know, we remain the category leader. We're number 1 in 14 of our 18 markets. We've got a very long runway in a highly under penetrated category. We offer a uniquely differentiated customer proposition, combining best in class technology and services combined with human intervention. And with recurring revenues, expanding margins and a disciplined balance sheet. We're confident in our trajectory. So I want to thank you again, and I look forward to coming together again in February and updating you with the full 2025 full year results.