

Transcription

Verisure Group Q4 2025 Results

12 February 2026

PRESENTATION

Operator:

Welcome to the Verisure Group fourth Quarter Results 2025 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 answer 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 the Audio cast link. Now I will hand the conference over to the speakers. Please go ahead.

Colin Smith:

Thank you, Operator. Good morning, and welcome to our fourth quarter and full-year earnings call. Before we get started, just a reminder that you can find today's presentation, earnings release, and financial report on our Investor Relations website, together with updated long-term trending schedules, setting out our operating and financial performance. Today, Austin will begin with opening remarks and operational highlights. I'll walk through financial performance in more detail before handing back to Austin to cover strategy, priorities, and outlook. With that, Austin, over to you.

Austin Lally:

Well, good morning, everyone, and thank you for joining us on our first full-year results presentation since our IPO last October. We've been looking forward to sharing this update with you today. Colin and I look forward to answering all your questions on the call this morning, and to speaking with many of you personally in the next few weeks. We closed 2025, delivering a very strong fourth quarter, and that concluded another year of excellent operating and financial performance, continued margin expansion, and also a year of several important milestones, including, of course, our IPO, crossing the 6 million customer mark, and a rare piece of M&A in Mexico. We see the opportunity ahead of us as highly attractive. A long growth runway together with predictable, high-quality subscription revenues compounding value over time.

Let's turn to slide two, where we present the key highlights from the quarter and the full year. Verisure delivered a strong close to the year. In Q4, we delivered strong top-line growth, improved profitability, and an important step forward on cash generation. Starting with new customers, we installed 224,000 new customers, and that was our best-ever quarter. And it represented 5.9 percent year-on-year growth. This reflects healthy underlying demand across our footprint, strong commercial execution, and improving sales productivity. Annualized recurring revenue was over €3.4 billion, and that's up 12.7 percent year over year at constant currency.

Now, the growth rate includes around two percentage points from our Mexico acquisition. This exceeded our outlook, and it underscores our highly stable, predictable financial profile. Q4 also marked an important step in the group's cash generation journey. We delivered a positive free cash flow of €18 million, excluding IPO proceeds associated with refinancing and the Mexico acquisition. This keeps us well on track towards becoming free cash flow positive on a full-year basis in 2026. In the full year 2025, total revenue was over €3.7 billion, up 10.3 percent year on year. Adjusted EBIT was €953 million, up 15.5 percent year over year, with margins expanding to 25.4 percent.

This increase in profitability was driven by strong revenue growth alongside disciplined cost management. From a balance sheet perspective, we closed 2025 with net leverage of 2.9 times. This strengthens our financial flexibility as we enter our next phase of growth and sets us up very well, so we are pleased with our 2025 results. We are also in good shape, looking forward to 2026. Today we are guiding to our growth around 10 percent and adjusted EBIT margins above 26 percent. We're projecting to be free cash flow positive in 2026, and we expect to pay our first interim dividend in the second half of the year. Colin will talk more about that later.

In the fourth quarter, we're actually reporting a strong set of results across the board. We now have the privilege of supporting around 6.2 million families and small businesses. Now, while passing 6 million customers in 2025 was a special achievement, we still see it as a waypoint rather than a destination, given the scale of the addressable market opportunity and the very, very long growth runway ahead of us. New installations were up 5.9 percent year on year in Q4. As I mentioned, we reached 224,000 installations. We're basically capturing significant demand that we are generating from the investments that we make in category-creating marketing. We're turning that into sales with a strong expansion of our sales force.

Turning to the financials, Q4 group revenue increased 10.7 percent year over year to €965 million, while ARR reached over €3.4 billion, up 12.7 percent year over year. The recurring revenues generated by our portfolio are obviously a defining strength in our model. Finally, profitability continued to scale in the fourth quarter. Adjusted EBIT was €236 million, representing year-over-year growth of 19.3 percent. Q4 margins expanded to 24.5 percent, up almost 200 basis points year over year. Overall, in Q4, we made progress on volume growth and margin expansion. It was a quarter of very strong execution. I want to take the opportunity personally to thank our teams across the company for their excellent work to close 2025. I am very proud of them.

Turning to slide four, we increased our customer portfolio by approximately 560,000 customers over the past 12 months. Well, this is the highest year of portfolio growth on record, and the consistency of the execution is visible, when you look at the quarter-on-quarter progression, with significant growth in each quarter of the year. Now the consistency of portfolio expansion traces to disciplined new customer intake,

high customer satisfaction, and stable attrition. On the right side, we set out our record of industry-leading attrition. In Q4, annualized attrition was 7.4 percent, and that's in line with the last 12 months' average. It remains well within our long-term attrition corridor. With that, I'll now hand you over to Colin to walk you through the financials in more detail.

Colin Smith:

Thanks, Austin. Let's start by turning to slide six. Note that I will always refer to growth rates in constant currency where applicable. Here, I will focus primarily on the 2025 full-year performance. Annualized recurring revenue increased 12.7 percent to €3.448 billion. As Austin mentioned, ARR growth benefited by around 2 percentage points from our acquisition in Mexico. ARR is our primary revenue metric, reflecting the long-duration nature of our customer portfolio. As you will have noted, we have adjusted our definition of ARR. This now uses 12-month trailing ARPU instead of quarterly annualized ARPU. It has no effect on our reported 12.7 percent growth in 2025.

Our objective here is to smooth the ARR growth given that we take our price increase in the first quarter, and we believe this gives us a higher quality metric. This has been set out on page 33 in our results presentation. Moving to total revenue in the year was €3.745 billion, representing 10.3 percent year-over-year growth. Adjusted EBITDA in 2025 was €1.7 billion, up 11.2 percent year over year. It's worth noting that Q4 EBITDA was impacted by higher installation volumes as well as lower capitalization. Our adjusted EBIT for the 12 months of 2025 was €953 million, up 15.5 percent year over year. Our margins increased 141 basis points to 25.4 percent, driven by good, broad-based growth and disciplined cost management.

Taking a slightly longer view, over the past three years, we've increased EBIT margins by 500 basis points. Geographically, margin growth was broad-based, with positive margin progression in all three segments. In Iberia and Nordics, which are the longest established cluster, margins increased again to 41 percent. Let's turn to slide seven to unpack our key operating metrics.

Austin covered installation performance with new installations up 5.9 percent year over year in Q4 to 224,000. We were pleased with this growth, particularly given that we were lapping a strong prior year performance, which included the launch of LockGuard in France and Italy. Cost per acquisition increased 6.5 percent in the year, largely driven by media price inflation as discussed. In October, we began our rebrand programme in Portugal, adding approximately €30 to Q4 CPA. To partly mitigate increased media costs through 2025, we made progress in hardware and services procurement and in installation efficiency.

Now, CPA will ebb and flow quarter to quarter, but the key point is that we are very comfortable at these levels of investment, given the significant lifetime value of

customers joining the portfolio. As we've discussed before, we think about CPA and customer acquisition overall in the context of the acquisition multiple. In 2025, we were stable at around 3.7 times. New customers generate a 20 percent IRR measured over a 15-year timeframe. We continue to prioritize capital allocation towards organic growth, investing €1.3 billion in 2025, which delivers predictable long-term value creation. Let's turn to slide eight for a closer look at portfolio performance.

First, we were pleased with ARPU, at €46.50 ARPU in the fourth quarter. This represented year-over-year growth of 2.5 percent and continues our long-term track record of increasing ARPU. This growth is supported by innovation-backed price increases, increased upsell, and continued avoidance of a front-book back-book dynamic. A key part of our focus on quality intake is ensuring that new customers join at the same ARPU as the portfolio, an important and differentiating part of our model.

Looking forward, our 2026 price increases were notified to customers in December, with customer response so far in line with expectations. Recurring monthly costs were slightly higher in Q4 due to the impact of Mexico integration. We will aim to neutralize this impact as we implement our operating model and experience. On a full-year basis, our RMC was 1.6 percent lower year over year at €12.20. We continue to enhance our "Digital-First" programs, first-time resolution capability, and AI tools in our contact centers to bring down costs while always aiming to add quality to the customer experience. Austin will expand on this later in the presentation. As a result, our key measure of portfolio profitability, EBITDA per customer, was up 3.3 percent in the quarter to €34.10 per customer per month, and we increased portfolio margins by 108 basis points year over year. This is a key engine of our profitability and cash flow generation. Turning next to a few pages on cash flow. The company is moving through an important inflection point. As a reminder, our financial model targets consistent top-line growth as well as delivering increased profitability and cash flow generation.

Starting with a laydown of cash conversion in 2025. From the left side of the page. Once we add back customer acquisition, EBITDA, D&A, CapEx, movement, and working capital, we generated €1.9 billion of operating cash flow before customer acquisition. From this, we chose to reinvest just over €1.3 billion into customer acquisition to replace attrition and also grow the portfolio while maintaining excellent unit economics. Excluding changes in working capital, cash conversion increased to 69 percent, continuing the positive multi-year trend and reinforcing the high quality and predictability of our cash flow profile. Once we include paid taxes, separately disclosed items, and paid interest, we generated a net cash outflow for the year of €54 million. Note that this excludes net IPO proceeds and associated refinancing and our Mexico M&A. As Austin noted, the company was free cash positive in the fourth quarter, reflecting the progress made in strengthening our cash generation profile.

Let's move to slide ten. Next, I wanted to quickly summarize the key building blocks of our cash flow generation roadmap and update you on progress. Starting with financing costs, we are well on track to land within our target range of 4 to 4.5

percent weighted average cost of debt in 2026. As we move through our next refinancing in the coming months, we expect to deliver savings at the upper end of the range previously guided of €200 to €220 million based on 2026 versus 2024 net interest cost.

On the operating side, we delivered against our working capital commitments. We guided positive working capital in the second half of 2025, and we delivered with a €67 million inflow in the second half. This reflects our usual seasonal reductions in inventory levels, together with good progress across payables and receivables. Next, capital efficiency continues to improve. Our portfolio reinvestment rate declined from 60.8 percent to 59.6 percent. Put simply, this means that the cash generated from our portfolio is growing faster than the cash deployed to acquire new customers. This reduction in acquisition intensity is particularly pronounced in more skilled markets, and we see this trend continuing in the future.

Lastly, CapEx intensity reduced from 27 percent to 26.2 percent year over year. We are tracking well towards medium term guidance of around 25 percent capital intensity.

Let's turn next to slide 11 on deleveraging. We made further progress in reducing leverage in the fourth quarter. We were at three times pro-forma for IPO, paying down around €2.7 billion of debt. At the end of December, leverage has reduced further to 2.9 times due to continued earnings growth against the stable net debt balance. The group benefits from a well-diversified debt complex. Our debt maturity profile is well staggered, and our debt structure is approximately 65 percent fixed. This offers us the balance sheet flexibility to support continued growth and investment.

This progress has been recognized externally. Moody's and S&P both upgraded Verisure three notches to Ba1 and double B+, respectively, reflecting improved credit quality, stronger cash flow visibility, and a more balanced financial profile.

Moving next to slide 12. I wanted to take the opportunity to recap our approach to cost capitalization. On the left of the page, we set out the components within our CPA. We capitalized around 35 percent of gross CPA costs. This capitalization rate has reduced from 41 percent in 2021. The costs capitalized our customer hardware and variable sales commissions. We make a deliberate business model choice to retain ownership of hardware in our customers' homes.

Retaining ownership of hardware is common in subscription businesses. It allows us to provide maintenance and firmware upgrades at no additional cost to the customer, and to ensure we are enhancing resilience in cybersecurity. We operate a closed

system, which is owned by the company. This choice to retain ownership leads us to capitalize the cost of the alarm equipment. We also capitalize variable sales commissions paid to our sales teams. These are 100 percent variable commissions and do not include commissions paid in order to reach a monthly minimum wage level. These are variable costs incurred to obtain a contract and must be capitalized under IFRS guidelines.

On the right. I wanted to remind you of the Useful Economic Life periods we apply. These take a conservative approach, particularly in the context of our 15-year average customer lifetime. For customer hardware, we depreciate over 8 to 9 years, which includes writing off assets when customers cancel. For variable commissions, we adopt a 10 to 12 year amortization time frame, again well below our 15 year average customer life. Let us now turn to the 2026 outlook on slide 13. In 2026, we expect ARR growth at around 10 percent, supported by continued broad-based growth. We expect adjusted EBIT margins above 26 percent, as another year of quality growth is augmented by effective execution on cost.

As discussed, we expect to be free cash flow positive in 2026 as structural improvements in reinvestment rates, working capital, and financing costs continue to flow through. We expect to initiate an interim dividend in the second half of 2026. This is expected to be based on a payout ratio of between 30 and 40 percent of H1 2026 adjusted net income. This will represent a key milestone for Verisure and will mark the next phase in the financial evolution of the company, combining continued growth and margin expansion with progressive and sustainable shareholder return profile.

We reaffirm medium-term guidance and remain highly confident in our targets. Around 10 percent annual ARR growth, revenue growth tracking up to 100 basis points below ARR growth, and progressive adjusted EBIT margin expansion towards 30 percent over the long term. This is our clear financial model, and outlook and medium-term guidance are in line with our commitments at IPO. Strong and consistent top-line growth, expanding profitability, and increasing free cash flow support. Accelerating returns to shareholders. I will now hand back to Austin.

Austin Lally:

Well, thank you, Colin. Let's turn to slide 15 and get into the strategy review. Now, hopefully, for many of you, you'll recognize this slide from previous calls and also from the meetings that we had together during the IPO. It summarizes our Verisure, tried-and-tested playbook. I'm now in my 12th year as CEO, and this is basically how we have been driving the company forward for those years. It's our key to unlocking growth. First, I'm going to start on innovation, which remains our most differentiating strategy. Our proprietary tech stack delivers a superior proposition through innovative products and supports premium pricing. 2025 saw the full launch of LockGuard and the introduction of GuardVision, our new AI-backed outdoor camera detector. Actually, it's the strong innovation program that gives us such confidence also for

2026 and beyond. Now in 2025, we invested well over €300 million, around 8 percent of sales, in category-creating marketing to drive demand and to ensure that we remain top-of-mind for customers as a trusted brand and as the security destination.

Our 12,000 security experts in the field, our go-to-market muscle is a huge competitive advantage. That ensures that we deliver a fast response, able to offer customers a booking within 24 hours. It's that speedy execution that contributes strongly to our conversion and sales productivity. Customer experience is also super important. Our first-class customer service is supported by AI data and analytics. That's one of the factors that keeps our attrition rate, and it ensures that we are ready to protect our customers when needed.

In Q4, we supported our customers in over 104,000 incidents that required intervention by police, fire, ambulance, or a guard delivering when it really matters most. Our model is about deter, detect, verify, and intervene. Verification is a key edge that we have. Again, based on data and analytics. However, that enables us to provide the intervention service, and we know that that's the part of the outcome-related business that we have that customers value most. Now, as always, this is underpinned by our excellent culture and talent. We are very sure to be recognized as an outstanding employer.

We are either a great place to work or an all-time top employer, or both. In all of the 18 countries in which we operate, we just achieved an all-time high sustainable engagement in our annual employee survey, reflecting a highly engaged team of over 30,000 colleagues. Now, let's move to slide 16 and remind ourselves of the long, uninterrupted track record of double-digit growth in recurring revenue. In 2025, we reported over €3.4 billion of recurring revenues.

Now, we grow because our customers choose to stay with us month after month, year after year. As they stay with us, we continue to innovate, to add pricing and, importantly, to maintain very close control over the cost to serve. We remain the clear category leader. We're approximately five times larger than our closest competitor, and we continue to capture around two-thirds of the net category growth, as we have done for the past decade. We still operate in very underpenetrated markets. We develop and we deploy a differentiated customer proposition, you know, that's enabled by our vertically integrated technology model. We've demonstrated time and again, resilience to significant macro events over three decades.

On slide 17, we look at the scale of the future opportunity. Even in our most established markets, Iberia and Nordics, penetration remains low of the total addressable market of 56 million homes and small businesses. We estimate only 10 percent penetration and 29 percent of what we call the serviceable addressable market, or the SAM. The SAM is an important concept for us because it captures significant reductions that we make around housing topology and customer

affordability. Other Europe represents a very significant growth opportunity for us. This includes some of Europe's largest economies, and the segment is larger than the entire US market. And with low penetration at only 4 percent of the TAM or nine percent of the SAM. If you look over the past two years, this Other Europe segment delivered 50 percent of our total portfolio growth. The opportunity here is very material.

For example, to illustrate, by reaching the penetration levels that we already see in Iberia and the Nordics, that would add well over 15 million additional customers to the category. Given that we take two-thirds of the category growth, the opportunity for us, particularly, is significant. Now that 4 percent penetration across our footprint. That compares to 23 percent penetration in the US market. Let me repeat, as we said at the time of the IPO, we see no structural reason why our footprint cannot reach US levels of penetration.

Turning to costs on slide 18. This slide demonstrates clearly our decade-long cost management track record. You know, we have an “always-on” approach to cost management. And we've reduced Recurring Monthly Costs by around 1 percent per year on average over the past decade. Well, in 2025, we delivered €80 million in cost savings, and in 2026 we will go again. Cost discipline is deeply embedded in our operating culture, and it is a core enabler of our growth model. Now we are relaunching our cost programme in 2026, putting AI at the center because we see significant opportunities to further reduce cost to serve through AI deployment at scale, while continuing to enhance the customer experience. We are very excited about the progress that can be made here.

Now talking more about AI on slide 19, we wanted to set out a number of AI opportunities, and most are either already launched or are about to scale, owning end-to-end technology. That's again a business model advantage here. We have over 85 million devices providing real-time data from over 6 million customers from front end to back end. We have access to broad data that can be brought together from audiovisual data to usage profiles to customer data, such as contact propensity. Now that puts us in a very strong position. You know, with a relative market share of five 5x and with the best training data set for algorithms, we think that our competitive advantage here in the core of detection, verification, and intervention increases over time. Now, we've got specialist engineers, our three technology hubs in Geneva, Malmö, and Madrid, and they're working with AI tools to ensure that we are at the forefront of innovation here.

Remember, we have 1700 members of our technology team in the company. So we are very well set with innovation to make the best of these possibilities. If I take verification and the accuracy of verification, computer vision AI embedded in cameras and detectors has already reduced alarm triggers by just under 30 percent, actually by 28 percent. Well, that's very important. It enables us to verify incidents more accurately and quickly. Obviously, it lowers the operational workload. Now, AI-

backed knowledge tools are already shortening call handling times. We're improving our diagnostic-based solutions for maintenance issues so that we can actually solve problems for customers over the air without having to send a maintenance engineer.

The results here are very encouraging. Another topic coming from this, for example, was an 11 percent reduction in the number of guard callouts that we had to execute in Q4 2025 because of how we got better at false positive elimination. Now, our speech analytics-based sentiment engine analysis, which is very interesting, is now analyzing more than 250,000 customer conversations every month and we will go further. Sentiment analysis is a very important tool because it allows you to detect earlier, but also more broadly, any sense of invisible detraction, which means that we can get in there and we can solve the customer's problem, we can turn around the customer sentiment. That obviously has a positive effect on our ability to manage attrition.

AI at scale complements the hands-on human approach of our skilled rapid responders, our agents, and our security experts in terms of what they provide to our customers. Already present, already contributing, but it still remains a further significant opportunity for us across our operating model. Let's go to slide 20. I want to talk about our three priorities for 2026. The first is to deliver another year of high-quality growth. That includes continuing to deliver on installation, growth, and pricing, innovating on products and services, and also integrating our Mexico acquisition, where we plan to restart the growth engine. The second is to renew momentum in cost efficiency with a deep focus on AI-based opportunities, but with no compromise on the customer experience.

Third, as Colin noted, we are entering a new phase focused on sustainable and progressive returns. We've strengthened our cash generation profile, making progress in the fourth quarter. As Colin mentioned, it is evolving rapidly into a more balanced financial model where we combine sustained growth with expanding margins and cash returns. In summary, we're very pleased with our 2025 performance, but more importantly, we look ahead to 2026 with very strong confidence because of the penetration opportunity, because of our business model, because of our quality execution, and because of the strength of the innovation programme that we have now. Our 2026 outlook is consistent with the medium-term guidance that we set out last summer, and our growth of around 10 percent, adjusted EBIT margins above 26 percent, and a key year as we become free cash flow positive. We also stand fully behind our medium-term guidance. With that, I will hand back to the operator and Colin and I look forward to taking your questions.

Q&A

Operator:

Thank you. As a reminder, if you wish to participate in the question and answer session, please dial in to the telephone conference and press the pound key five on your telephone keypad to enter the queue. If you wish to withdraw your question, please dial 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 Annelies Vermeulen from Morgan Stanley. Please go ahead.

Annelies Vermeulen:

Good morning, Austin. Good morning, Colin. Thank you for the presentation. I have three questions, please. Firstly, you sound fairly confident about positive free cash flow for 2026 and beyond. Could you discuss what underpins that later in the year and how it creates opportunities for additional shareholder returns beyond the dividend you expect to pay later this year? Secondly, I just wanted to touch on the change to the calculation of ARR that you've disclosed today. Could you just unpack a little bit, exactly what you've changed and why, what in particular has prompted you to change it now? Then thirdly, on the acquisition of Mexico, could you walk through the impacts this has had on attrition, etc., in Q4 and the group level, and what you're doing to bring these metrics closer to group averages? Thank you.

Colin Smith:

Okay. Thanks, Annelies. Good morning. Let me start with your first one in terms of free cash. We've got good confidence here. The company is performing exactly in line with where we said we'd be. We are now moving through our cash inflection point. Over the past 12 months, we've set out on a number of occasions on the pathway to becoming free cash positive. We've talked about working capital normalization, and we were pleased to see delivering a positive working capital in the second half of 2025. Our portfolio reinvestment rate is reducing as we scale. That's important as we are investing a lower proportion of portfolio cash into customer acquisition. Then, of course, finance charges and interest rates are tracking, as I noted earlier, towards a €220 million a year per year reduction, which is at the top end of guidance at the IPO.

These three elements, I think, are consistent with that pathway towards free cash flow positive. We're also providing further assurance today as we share our 2026 outlook, and we're expecting to pay an interim dividend in 2026 and also deliver a free cash positive year. This symbolizes very clearly moving into a new phase of progressive, sustainable returns alongside growth and margin expansion. I think to your final part of the question, I think beyond what we've talked about before, we see scope for significant acceleration in cash flow generation and significantly increasing

returns into the future. Let me go next to the question on Mexico, and then I'll come back to ARR. Look at Mexico, it is important to note right at the top that we are pleased with what we found so far. Mexico is a high-quality, profitable asset.

It secures scale in that market from the start and gives us immediately a number one position. The portfolio size is exactly as we'd expected, 125,000 customers that we've now added to our portfolio. In terms of metrics, it's a mix. We see a positive impact on ARR. As we noted earlier, around two percentage points. Adjusted EBIT is immediately accretive. We added approximately two percentage points to our Q4 EBIT growth rate due to Mexico. Our ARPU in Mexico is slightly above the group average. It's more at the European levels of ARPU.

On the flip side, we've got some temporary headwinds. Attrition basically is in line with Latam levels, and it gives us a headwind of around 5 to 10 basis points. Mexico also has a slightly higher RMC, and we think that is around 0.15 euros at a group level. I would look on that as an opportunity as we begin to deploy our operating model in our playbook. We want to quickly work towards bringing down those Mexico RMC levels. The other element, financially, that's important is that CPA's upfront revenues are lower in Mexico. This has historically been a high ARPU, low-upfront market and that impacts our CPA upfront. We're confident that implementing our operating model will reduce these temporary mix impacts over time.

As I say, we're generally happy with the asset and the acquisition price. We look forward to restarting growth in the country. As a reminder, as we've said many times, we are highly, highly selective on M&A, and no one should read into this any kind of change in strategy. We are primarily an organic growth company. If I just pick up the change to the ARR definition, as I've talked about in the script, we have basically adjusted the definition here from end-of-period portfolio multiplied by in-quarter ARPU annualized, and we've changed that to the end-of-period portfolio multiplied by the trailing 12 months. We've basically done that because that smooths out the metric. We think it gives a more reflective, higher-quality view of our ARR. It means that there is no difference in any given quarter between the quarterly number and the year-to-date number. I think, importantly, as I noted, there is absolutely no change in the definition and the 12.7 percent growth rate by moving from one to the other. Just as a reminder, we have a page explaining this and unpacking it in our results presentation. We see this as an obvious step that will deliver higher quality and a stronger metric going forward.

Annelies Vermeulen:

Very clear. Thank you.

Colin Smith:

Thanks.

Operator:

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

Joachim Gunell:

Thank you. Can you please provide some color on the geographic performance here when it comes to which markets are tracking ahead of your internal expectations? And conversely, if you are seeing performance fall short of planning in any of your particular regions.

Colin Smith:

Sure. Well, why don't I start with that? And then I'm sure Austin will add. I mean, I think, you know, other Europe remains, are our largest growth opportunity. Other Europe, in terms of its size and scale, is three times the size of Iberia and Nordics. And penetration of the TAM is still very low, only around 4 percent. So other Europe delivered 50 percent of the company's growth over the course of 2025. And that's the same contribution that it made in 2024. As a reminder, you know, this includes Europe's four largest economies. So we have UK, we have Italy, we have Germany and we have France. We look forward to further growth in that region. And we're seeing really good performance there. I think in terms of just to add some color on Spain, you know, Spain delivered the highest ever installs in its history in 2025. So we absolutely see no abatement in Spain's growth. And it goes, frankly, from strength to strength. And then Latam, of course, which remains around 9 percent of the group's revenue. And that will increase slightly as we add Mexico. So maybe add two points to that contribution. But we're seeing good growth in Latam nonetheless. We do, however, remain, as we've said before, very selective and very choiceful about the quality of customers that we add from Latin America.

Austin Lally:

Well said. I would just add on Q4, one of the things that pleased me, and in fact I gathered the team together this week in our headquarters to personally thank them for Q4, because of how broad based the demand generation and the progress that was across the company in Q4. Particularly in our major markets that really move the needle. I mean, that's one of the reasons why you get to that very, very strong 5.9 percent installation growth in the quarter.

Joachim Gunell:

Great. And so, on the attrition and cancellation side, it looks as we have this slight uptick in the quarterly attrition annualized rate, and this should be, of course, boosted by ADT, I would assume. So just help us here because on a headline basis, it looks like your absolute number of cancellations accelerate. They grow 12 percent a year. They used to grow high single digits. So how much of this I mean can you just disclose what's the performance of say Verisure excluding ADT Mexico in this figure?

Colin Smith:

Let me pick that one up. As I said earlier on a previous question, you know, we have Mexico contributing between 5 to 10 basis points to the quarterly churn in Q4. I think if we step back from that and we look at the year, we are at 7.4 percent. That's down three basis points, so broadly flat on a year over year basis. But importantly, it stays and it remains in what we believe to be a world-class attrition corridor and something that really does differentiate us as a business. Then in turn it gives us our 15 year average customer lifetime, which is such an important part of our growth model and also our ability to generate cash in the future.

Austin Lally:

I would also add that we're not satisfied with that level. It's well within our corridor, but we've got plenty of ideas coming up that we're going to work on. I might give you some examples. I mentioned sentiment analysis already in my presentation. We're screening 250,000 customer calls every month. We ask customers for a Net Promoter Score, but sometimes a customer who's dissatisfied gives you a neutral score because they don't want to give the operator negative feedback. Well, you get a more accurate screening of sentiment using AI in that way. And we can actually go back and maybe use the word "rehabilitate" the customer. We think over time this has got the potential to actually reduce attrition because you end up with less detractor. Colin has mentioned in previous calls, that we are using deep analytics to identify warning signs. If a customer is coming to the website multiple times per month to check the bill, that's a warning sign. That's an indicator that maybe the customer is questioning the outlay. We're also looking at things like changing alarm usage. Somebody who used to use the alarm every day and who starts to use it less frequently. Why? But we also know that that's a warning sign for attrition. Well, in that situation you can actually step in and you can talk to the customer, you can explain to them about night mode and the scheduling features. And you can try to promote more usage. We actually know that higher usage lowers attrition, full stop. I mean, it's one of the key levers. I've also talked in previous calls that we still have an opportunity on things like home moves. Home moves are one of the main attrition reasons. Well, we shouldn't lose customers who move home. I mean, in an ideal world, we would do a much better job in some cases of managing that customer interaction. We've also talked in previous calls about the role of LockGuard. We've demonstrated in the market that actually it's an attrition-reducing initiative because people are interacting with the front door many times per day. Attrition is a real focus area for us to figure out ways in which overtime we can do better. But again, to repeat what Colin said, it's even at that 7.4 percent level. We think it's our best-in-class metric.

Joachim Gunell:

Perfect. And just finally just coming back to that earlier question, since there's a lot of debate with regards to cash flow trajectory, can you just say anything with regards to how you think about the gradual improvement quarter over quarter throughout 2026, or if we should expect more of a H2 heavy improvement?

Colin Smith:

In terms of cash flow, I think it's a great point, and cash by quarter will be a bit lumpy. And it's primarily driven by two things. Firstly, the interest that we pay on some of our debt instruments, the coupon, tend to be paid more focused on Q1 and Q3. So that's one point to bear in mind. The second point is that, as we have done over the last number of years, we tend to build inventory in the first half of the year, and we tend to then consume inventory in the second half of the year. And that's exactly what we saw. For example, when we looked at the fourth quarter performance where I think it was around 44 million of working capital support from inventory reduction. But that is seasonality, and that is what we should expect to see as well going forward.

Joachim Gunell:

Perfect. Thank you.

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 from me, please. You've given adjusted EBIT margin guidance of above 26 percent, but that does leave quite a lot of leeway. It could be 26.1, 26.5, 26.9. So perhaps could you maybe share some color on this and whether you expect margins to expand every quarter in 2026? The second question is just a minor one on the reclassification of D&A. I think there was 16.8 million reclassification that moved between, I think core D&A and SDI. Just want to understand what that was, please. And how should we think about EBITDA margin and D&A as percentage of sales for 2026? Thank you.

Colin Smith:

Let me start with EBIT. We're guiding to above 26 percent. As you know, the first thing that I'd say is that generally speaking we're happy with consensus estimates on EBIT, we have always said that. The EBIT growth I talked earlier in my update was around 500 basis points of margin development over the past three years. We've talked many times about the fact that 2026 was going to see progressive growth, but growth at a lower level in margin for the year. That's driven primarily by the investment that we're making in our rebrand in Spain, Portugal and in Sweden, where we're moving to Verisure from Securitas Direct. So, you know, we, as I say, still expect to make positive margin development in the year, but not at the same

levels as we have done over the past couple of years. Just picking up the point on EBITDA, one of the things that I mentioned earlier as well, is the fact that on EBITDA in the fourth quarter we did install more customers than I think the market had expected. We grew our installs by 5.9 percent. The vast majority of that cost accrual goes straight to the income statement. That's the impact of exceeding top line growth and bringing EBITDA down slightly. And finally, on capitalization, we are capitalizing less of our acquisition cost in 2025. We're around 35 percent capitalized. And that has come down quarter on quarter by around a point. So I just wanted to basically share those points with you.

Suhasini Varanasi:

Thank you.

Operator:

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

Andy Grobler:

Hi. Good morning. Just three from me as well. If I may please. First one, revenue per new customer was down in the quarter. Could you just talk through the moving parts there? Second, and related, customer acquisition costs are also going up, and I know one is part of the other. But could you talk about, again, the drivers of that and your expectations through 2026? And then lastly, just on AI, which is such a massive focus at the moment, you talked about the opportunities internally. Can you talk about what you're seeing from a competitive standpoint from AI? That would be really helpful. Thank you.

Colin Smith:

Let me pick up your first question, which is around revenue per new customer in terms of our CPA. And firstly, look, it's important to note that we're very comfortable with upfront revenue at these levels. In terms of early life survival analysis, the portfolio remains very solid. We track that, as we've talked consistently, regularly, using our acquisition cohort curves by country. Portfolio remains rock solid and highly stable. I think as we step back, it's important to note that we do manage CPA on an overall basis. We don't obsess over individual components. We really focus on the acquisition multiple which is 3.7 times and within our target corridor, but let me take you through the moving parts in Q4 on upfront revenues. Firstly we had a change in mix on housing topology, installations where 30 percent apartments in the fourth quarter. And that sits against a portfolio of 24 percent. So a higher mix of apartments. And in part that's driven by the success of our LockGuard product. Now these are smaller installations with lower upfronts by definition. What we do as our business is we always focus on maintaining our ARPU in line with the portfolio. On country mix we have a wide range of upfronts, ranging from around €200 to €300 in some markets to over €1000 in others. So country mix also plays into that blended CPA upfront. We had an impact from Argentinian peso devaluation. I think we talked about

this last time. That impacted around €10 at group level. As I noted earlier, when I was talking about Mexico, Mexico is established as a low-upfront, high-ARPU market. Therefore, by definition, bringing Mexico in also gives us a small headwind that we need to overcome in terms of CPA upfront. I think strategically it's important as well because we talk a lot about quality intake, and we focus on a number of things, which I'll talk about in order of priority, and guaranteeing customer quality intake. First the entry ARPU is in line with the portfolio. There's no kind of telco-like front-book / back-book dynamic and very little ARPU discounting. That's super important for portfolio stability. Secondly, we credit score all new customers to vouch their affordability characteristics, and we also focus deeply on early life behaviors and usage, as Austin talked about. And then lastly, of course, we receive an upfront payment which should always be meaningful as an upfront commitment from the customer, but we are not, as I say, obsessive over exactly what that amount is, and we will always take a premium against the competition. So that's CPA upfront. If I just broaden that a little and talk about CPA overall, CPA, as you can see from the release, was up 7.2 percent year over year, and there's a number of things that I would put that down to. Higher marketing investment was around three percentage points of that growth. We are seeing like-for-like media price inflation over 10 percent per annum, and we do not see that coming back anytime soon. The lower upfront revenue point generates around 1.5 percent of overall CPA growth. Then, the final point I talked about earlier was the launch of our rebrand program in Portugal in October, which added around €30 to our Q4 CPA. Generally speaking that's the lay down. I would just add that CPA generally there's a bit of ebb and flow quarter-on-quarter in that number. But really it's all about acquisition multiple, which is flat and stable year over year, and this is a level of investment in new customers that the company is very, very happy with.

Austin Lally:

Maybe I take the AI topic Andy, and it's obviously very important. First of all, if I think about position versus competition, which you're going into, we actually think that we're building advantage here. And of course, as I mentioned in my remarks before, the first advantage is coming from the fact that this is a proprietary system that we own front-end / back-end, soup to nuts. I mean, it's not a collection of equipment and software that's been just bought from a range of vendors. The second advantage is obviously just scale. We're five times bigger than the number two competitor. So the quality and the quantity of the training data that we've got is significantly bigger. And you know that over time it turns into more accurate algorithms that allow us, as I mentioned earlier, to be more accurate in our response rate and therefore to provide the customer with a better experience. But it's also a significant source of efficiency. I mentioned earlier a 28 percent improvement already on false positives, a significant reduction in the number of guards that we're having to send out. And that's a real cost opportunity. I think the other topic to go into is in technology itself, as I mentioned, we've got 1,700 teammates in the technology organization. Well, you know the coding and development that's happening in these technical centers is already getting significantly helped by the AI tools that are out there, and we see this actually as a way of not only improving the quality of our innovation, but also the speed of the throughput. And, you know, we are, I think, very well set because we

are vertically integrated with our own technology team. We are actually well set to take more advantage from that. I mean, we're actually expecting AI overtime to help us sell more because we'll do our job better to help bring down attrition through the sentiment topic that we talked about, to innovate quicker, as I mentioned before. And then it's obviously a significant cost opportunity on some of the more low touch replicable pieces of work inside the company, as Colin mentioned, like we're going to have another go at our cost program in 2026 but with AI at the center of it. I mean, we already delivered €80 million of savings in 2025. But when I talk about this I always make sure people understand. We don't just think of AI as a cost topic. We actually think it's about a competitive advantage topic across our activity system, and in fact, we had the opportunity to talk to some of the media this morning before the end of this call, and I made it very, very strong point that we expect to be a big beneficiary of AI.

Andy Grobler:

Can I just ask one quick follow up? You talked about the early life cycle of your cohorts is good. When you look through those cohorts over time, you lose on average about 70 percent of your customers over 5 years, and implicitly you have some customers for 20, 30 plus years to get that average up to 15 years. Just can you confirm if that's right? And also just talk through how that varies by region. Is it much higher in Spain, lower in UK or whatever. That would be really helpful.

Colin Smith:

Sure, Andy, and yeah, you're absolutely right on your point around the theory of those curves and the implied customer lifetime. I think the one thing that I would say to you, unsurprisingly, in terms of geographics, is that there is a close correlation with attrition rate. And, you know, I think we've said before on calls that we do see a spread of attrition outcomes across the group's geographic segments. It wouldn't surprise anyone to know that Latam is slightly higher than average, and we see in the Nordics, for example, a slightly lower than average attrition rate. So we see a spread there. We do analyze and assess this over a 20 year period across all of our markets, and we see a difference between business and residential as well. So business, due to business closure, of course has a slightly higher than average attrition rate, and residential slightly lower. So we are looking at this in so many ways, and again, if we stand back from this, the reason that we do that is that we don't want to wait five years to learn that we've either added higher quality installs or lower quality installs in a period five years ago. So we want to get right on it and be able to observe that within the first 6 to 12 months.

Andy Grobler:

Okay. Thank you very much.

Operator:

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

James Rowland Clarke:

Hi there. Two questions please. My first is just on accounting policies. Obviously there's been a lot of discussion in the market about your accounting approach with regards to depreciation and amortization of PPE and also customer relationships. I wonder if you could really provide some color and shed any light on how your policies have changed historically, could they change in the future and whether they're sort of appropriate today? Because I think that's where the main debate is. And then, while you're at it, I wonder if you could just comment on the rationale for the H&F CEO stepping off the board and how that ties into H&F's exit plans that you set out in the IPO. My second question is on the customer acquisition trends that you're seeing at the moment. So you've mentioned there's higher CPA due to lower upfront fees, which is, you know, partly to do with a mix of new customers. You're expensing more, and you've also got higher marketing costs. Should we think of that as the shape for the foreseeable future? Because that would appear, on the face of it, to slightly reduce your CapEx requirements from less hardware in the mix as you grow more in apartments, but put a bit more pressure on the EBITDA line from that higher proportion being expensed, and I guess also purely more marketing spend than we have in our numbers. So I just wondered if you could provide some color on how the P&L and the balance sheet actually shapes up with this sort of existing mix and trend that you're seeing today. Thank you.

Colin Smith:

Okay. Thanks, James. So let me take the accounting question first, and then Austin can comment on H&F, and I'll come back on the CPA point. So look, we touched on this in the presentation, but let me summarize the business model choices that we make, that in turn inform our accounting, because I think that's really important context. And it goes without saying, but all our accounting is fully in line with with IFRS guidelines. Our business model includes the following key themes: Firstly, we make a decision to own the hardware in customers' homes. We choose to do that because it lets us take responsibility for maintenance, upgrading firmware, driving usage and ensuring that we've got appropriate cyber and privacy protections. In short, we ensure that the hardware is as good as it can be, because that's how we support customers and drive engagement over their average 15 year lifetime with us. We like to have control, and if any hardware breaks or needs repaired, it's immediately expensed as RMC to the income statement. The second kind of key business model theme is that we recognize upfront revenue from customers at the point of installation, and we do that for a couple of reasons. We install new customers on the day, typically the same visit as when we make the sale. That rapid installation service works for customers and it works for the company. It's way more efficient. We take a meaningful payment upfront from the customer that underscores their commitment, and the vast majority of revenue recognized in the income statement is received as cash. We do not capitalize the installation cost; that's expensed. So what we're doing here is we're basically matching upfront revenue and install costs in the

income statement based on that acquisition model. And then, the last point I'd make, picking up on variable sales commissions, those are capitalized and obviously paid in return for obtaining a new customer contract. With our people, we've got a compensation model that incentivizes our sales teams. We prefer that model to be variable in nature. It drives productivity and performance and is the right way we've found for us to reward our people. We capitalize only the variable commissions above minimum wage levels in countries, and that's a really important element of our model. So we firmly believe that these are the right choices from a business perspective first, and then the accounting follows from that. If we then think about useful economic lifetimes and how those assets are then taken to the income statement over time, you know, we talked about this earlier, so I won't go into it in detail, but we're happy that our UELs are conservative. 8 to 9 years for hardware and 10 to 12 years for variable commissions, and both of those are significantly shorter than our average 15 year customer lifetime. The final point that I would make here is around the capitalization rate, but I'll come back to that when I address your second question, and perhaps Austin can pick up the point on H&F.

Austin Lally:

Yeah, I'll take up the Patrick Healy point. Thanks for asking, because I've had that question from a few people obviously over the week. You should certainly read nothing into this, and I'll explain why. This was a long-planned move that Patrick would basically stand down and give up one of the Hellman & Friedman board seats to allow us to bring an independent board member onto the board more quickly. We actually added Cecilia Beck-Friis, an excellent Swedish executive, to the board. Because obviously, the long term goal is to build an independent board that represents all shareholders. That's the governance, obviously, that everyone expects and that we are fully committed to. We also announced Samantha Kini joining the board in a few months. By the time of the AGM at the end of April, we will actually have five board members fully independent from management and from the company's major shareholders, and we think that's a very good objective. Actually, by adding Cecilia to the board, we were also adding, again, another Swedish board member. You know, given that we're listed in Stockholm and we have a significant number of Swedish investors. So we actually viewed Patrick stepping down from the board as a really positive contribution to the independence of the board, and I am very happy with that. By the way, I do want to thank Patrick for his service. He was an amazing board member. He was on our board for 12 years. He was always arguing for the highest possible standards for customer centricity, and was a very, very strong supporter of the focus that we have on culture and talent. So I really appreciate his service and his and his contributions. Now, in terms of what does that mean for Hellman & Friedman involvement, people should remember that they still have three board seats and they still have the chairmanship of the company under Stephane Goetz, partner at Hellman & Friedman. They are as deeply involved and focused on the businesses as they have ever been.

Colin Smith:

And let me just talk about capitalization rates, James, just to finish off so. As I said

earlier, we've gone from 41 percent in 2021 to 35 percent in 2025 in terms of the CPA acquisition costs that we capitalize. I do expect that to continue to reduce slightly over the coming years. What's happening here is that we're making good savings on material cost, and as you are rightly saying, there's a slight reduction as well in the kit size, and we're investing a bit more in marketing and media and that's basically the backdrop to that move. We're taking more of that cost immediately to the income statement expensed. I do think that in terms of CapEx and D&A, as a consequence, the growth on those will also slow, and I expect those to grow at less than revenue growth going forward.

James Rowland Clarke:

Thank you very much. That's very helpful.

Colin Smith:

Thank you.

Operator:

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

Jane Sparrow:

Good morning. Just two questions, please. The first one was just on the changes to consumer legislation in Spain recently. I wonder if you could perhaps talk about how you think that might or might not impact your business there, in particular, perhaps around renewal practices, but anything else you might think relevant too. Then, the second one was just a follow up on the D&A questions that you've had. In the fourth quarter, D&A including retirement of assets was lower year on year, and in the first nine months it was up year on year. I know you've talked about the lower capitalisation of costs, but were there any one offs in there as well to be aware of, that impacted that a year-on-year comparison in for Q4 please?

Colin Smith:

Well, why don't I pick up the D&A point, Jane, to make sure that we cover that quickly. I think the short answer is yes. We had a write off of assets of €4 million in the fourth quarter of 2024. So hence the reason that our year over year comps are impacted by that, and we look like we're broadly flat in terms of Q4 2025. You've already picked up on the point of lower capitalization, of course, which impacts that D&A as well. And we're also adapting the European markets in particular. 2G / 3G sunset dates are elongating, and because we are accelerating our 2G / 3G hardware that's installed in the base, that gives us a slight tailwind in the D&A number, but not material.

Austin Lally:

Yeah. Thank you. Well, Jane, thanks very much. Let me take the questions on

consumer law because obviously, you know, we follow this extremely closely. So, first of all, the one-word answer to the Spanish question is “no impact”. But maybe you expected a bit more detail than that. To put this in context, we've got a long track record of adapting to consumer regulation changes, and we've actually got a strong team, group-wide and market by market, to make sure that we adapt to that consumer regulation properly. But we've been able to do it without any notable impact on our growth. We've got active regulatory engagement at the EU level and at the country level. We've done that for many years, and that's really to try and reduce execution risk, to try and make sure that if regulation comes in, that it's well thought through and drafted. Now, if I take the Spain example you talked about, there's a new law. It's effective at the end of 2026. But again, we don't expect any notable impact on anything like revenue, attrition or growth. I mean, what the law asks companies to do, is to notify customers of a renewal of a contract. Well, our customers can already cancel with 30 days notice post the initial contract period. So this is just not really relevant for us. I'll also mention France, because there's been some commentary about cold calling and so on being regulated. We've actually got no reliance on cold calling on our model. I mean, we're a bookings-based model. We always say our marketing is booking-based, it's marketing-led and it's counselled, and the customer is invested in that decision. Basically, the fact that we are into opt-in around lead generation, consumers giving us consents, that limits the regulatory impact on us. I'll also point out, actually, that we've had similar rules already in other markets in Latin America, and we've addressed it successfully. So if I maybe take another step back, in general, what's going on is regulators are trying to protect customers, and that's good. What they're thinking about is auto renewal of contracts, which can include large pricing step ups as discounts unwind. Well, you know, that's not our model. Our new customers, as Colin has pointed out many times, are coming in at the same pricing as the portfolio because we absolutely don't want the corrosion of front-book / back-book. And we certainly don't want customers coming in and thinking that they are paying one price and then getting shocked later when they discover that they're paying a different one. We wouldn't have the 15 year customer lifetime and the high levels of customer satisfaction if we treated customers like that. Again, we're not relying on customers kind of forgetting that they're paying for Verisure or what they paid, because we've got a very high engagement model with our customers. Maintenance visits are very important to make sure that the system is working perfectly, but it's also a big upselling opportunity. We regard that high touch as actually part of the value creation. So, I would say, quite relaxed on this topic, and thanks for clarifying it.

Jane Sparrow:

Very clear. 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, I mean, thanks to all of you for joining us today, for the great questions that allowed us to clarify some matters that people have been asking about. So that's really helpful. Thanks for your continued interest and support. As I mentioned at the outset, we actually really looked forward to sharing those results today. We're very happy with 2025 and particularly with the momentum towards the end of the year and the confidence in 2026, because of our innovation, because of our execution. Hopefully the confidence in 2026 comes through today on the call, not only because of the guidance that we are confirming, but also because of the tone that we're striking today in the conversation with you. We remain the category leader. We remain number 1 in 14 of our 18 markets. We got the number one brand. You know we got the best technology. And we've got a long runway in a highly underpenetrated category. You know we continue to deliver a unique and differentiated customer proposition. We try and bring together best in class technology and service, but we combine it with human intervention. Actually, that combination of technology and and the human touch, we think that's part of our competitive advantage. With recurring revenues, expanding margins, and a disciplined balance sheet, we're actually confident in our trajectory. As we look ahead, we believe that the strategy of the industry-leading innovations and the disciplined execution that we bring to the market positions us well for the future. So thank you again for joining us today, and we look forward to continuing the conversation with you in the coming weeks.