

Transcription

Verisure Group Q1 2026 Results

PRESENTATION

Moderator:

Welcome to the Verisure Group First Quarter 2026 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 the audio cast link. Now I will hand the conference over to the speakers. Please go ahead.

Colin Smith:

Well, good morning everyone, and welcome to our first quarter earnings call. First, just a reminder that you can find today's presentation, earnings release, and interim report on our Investor Relations website, together with updated long-term trending schedules, setting out our operating and financial performance. This morning, Austin will begin with opening remarks and first-quarter performance highlights. I'll then walk through financial performance in more detail. With that, Austin, over to you.

Austin Lally:

Well, thanks, Colin. Good morning, everyone. Thank you for joining us on our first quarter 2026 results presentation. Overall, we are pleased with our start to the year. Our Q1 results demonstrate the strength of our business model. We delivered broad-based financial performance ahead of expectations. The results showcase our high-quality compounding portfolio growth and expanding margins, our second consecutive quarter of positive free cash flow, and continued deleveraging, whilst making deliberate choices to protect the long-term value of our portfolio. Today, we reiterate our 2026 guidance for another year of quality growth, margin expansion, and progressing cash generation. Colin and I very much look forward to your questions on the call this morning, and to speaking to many of you in the coming weeks.

Let's turn to slide two, where we present the key highlights from the quarter. We had a strong start to 2026 with financial performance ahead of expectations across the board, and positive free cash flow was a real highlight. Starting with the financials, annualized recurring revenue reached €3.533 billion, growing 12.2% year-on-year at constant currency. This includes around two percentage points from the Mexico acquisition. This is fully in line with our 10% guidance for ARR in 2026 and for the medium term. Adjusted EBIT was €277 million, up 19.3% year-on-year, reflecting strong revenue growth coupled with disciplined cost execution. We delivered our second consecutive quarter of positive free cash flow at €39 million. This further reinforces our confidence in being free cash flow positive for the full year 2026 and starting our journey of expected shareholder returns later this year.

Beyond the financials, our customer portfolio is now around 6.3 million. That's up 9.7% year-on-year. A compounding portfolio that makes us the largest monitored security company globally by portfolio size. A rebranding program continues to progress well. In Portugal, the rebrand launched in late 2025 has been executed very well, and we already have around 50% of digital traffic under the Verisure brand. Building on the experience from this Portugal lead market, we have now commenced the Verisure rebrand in Spain in April as planned. Spain's our largest market, so this is the most important step in unifying the brand across our footprint. I'll talk in more detail on the Spain rebrand later in the presentation.

Our integration of ADT Mexico, our 18th market, is progressing to plan. I was in Latin America last week to meet our teams from all five Latam markets, including a detailed update with our Managing Director of Mexico and our Integration Director. I was happy with the progress on the integration and the strong business plans ahead. The meetings reinforced my confidence in the Mexican opportunity. Q1 shows that our strategy is working, delivering long-term value creation through disciplined customer acquisition, predictable portfolio growth, and moving into progressive shareholder returns.

Let's turn to slide three. In Q1 2026, we delivered a strong set of results across the board. We now have the privilege of serving over 6.3 million families and small businesses across 18 countries. This is meaningful scale, but we see it very much as a waypoint rather than a destination, given the size of the addressable market opportunity across our footprint and therefore the significant growth runway ahead of us in the medium and long term. New installations increased 2.7% year-on-year in Q1, reaching 223,000. This was the second-highest quarter of installations in our history. We were also happy with revenue. Q1 revenue increased 10.3% year-over-year to €1.019 billion. This was our crossing of €1 billion for the first time.

ARR reached €3.533 billion, which was up 12.2% year-over-year at constant currency. The resilient recurring and compounding nature of our revenue remains one of the differentiated strengths of the Verisure model. Profitability scaled strongly in the quarter. Adjusted EBIT was €277 million, representing 19.3% year-on-year growth. Q1 margins expanded to 27.2%, up over 200 basis points year-on-year, and this performance was achieved against an uncertain consumer backdrop towards the end of the quarter. This underscores the range of levers we have to manage the business to good outcomes across varying economic backdrops, and we've demonstrated this resilience successfully a number of times before. Overall, Q1 reflected broad-based strength in volume, revenue, and margin, a quarter of disciplined execution. I want to take the opportunity to thank our teams across the company for their excellent work in delivering this start to 2026.

Let's turn to slide four. Next, I want to step back and remind you of the scale of the business we have built and the position from which we are now operating. Verisure is now the number one in our industry globally. We protect approximately 6.3 million customers across 18 countries, and we have grown recurring revenues at a compound rate of around 14% per year over the past decade. As you see on the slide, we have

overtaken the historical industry leader in the USA, and we are now global number one, not only by portfolio size but also by new installations. Our growth profile is clear, reinforcing the quality growth playbook we have talked about so many times, but importantly, we see this as only a waypoint for us with much more growth to come in the medium and long term. Verisure has always been a long-term growth story. I'm in my 12th year as CEO, and we know what this business is capable of.

Turning to slide five. I wanted to touch on both the growth and the resilience of our portfolio in these more uncertain moments. Our customer portfolio continues to grow consistently, underpinned by disciplined customer intake and sustained low attrition. Last 12 months, attrition was 7.4%, with Q1 annualized attrition 7.5%, stable year-over-year, despite an approximately eight basis point mix impact from the Mexico acquisition. So a better year-on-year performance on an underlying basis. With a reminder that Q1 is typically our seasonally highest quarter. We are well placed within our long-term attrition corridor, reflecting our focus on high-quality intake, stable portfolio, and high levels of customer engagement. We were also pleased with how our 2026 price increase, deployed in January, has landed. Our attrition levels remain among the lowest across global consumer subscription businesses. Our approach starts with disciplined customer intake and rigorous quality standards at the point of sale. This is reinforced through operational excellence across installation, monitoring, and service delivery, as well as the increasing use of our AI-based customer management tools to identify signs of detractor and enable proactive retention actions. With that, I will now hand over to Colin to walk you through the financials in more detail.

Colin Smith:

Thanks, Austin. Let's turn to slide six. Note that I will always refer to growth rates in constant currency where applicable. Today, we are reporting a strong start to the year with good growth rates and a beat across the board on financial metrics. Annualized recurring revenue reached €3.533 billion, growing 12.2% year-over-year. As a reminder, ARR growth benefits by around two percentage points from the ADT Mexico acquisition completed in Q4 last year. Mexico will continue to contribute to reported ARR growth rates until Q4 2026, at which point we will fully lap the acquisition. Total revenue in Q1 was €1.019 billion, up 10.3% year-over-year. As Austin noted, this is the first quarter in the group's history in which our quarterly revenue crossed the €1 billion mark.

Adjusted EBITDA was €472 million in the first quarter. This represents an EBITDA margin of 46.3%, an increase of 82 basis points year-over-year, and a growth rate of 12.3%. Q1 adjusted EBIT was strong at €277 million. This represented growth of 19.3% year-over-year, with EBIT margin expanding 207 basis points to 27.2%. These results reflect strong portfolio growth, together with valuable ARPU increases and continued control of cost. Margin progression was broad-based across all three geographic regions. I'd also like to remind you of our rebrand program in Spain and Portugal, which has an estimated marketing investment of approximately €25 million in 2026. The bulk of that investment begins in Q2 as we launch the Spain rebrand. These costs will be recorded in adjusted

EBIT as per previous updates, and are fully included within our full-year adjusted EBIT margin guidance of above 26%. We remain very comfortable with that outlook.

Turning to the situation in the Middle East, in terms of cost, we do not expect any material impact on the group. We carry around six months of inventory and expect limited impact on shipping and logistics costs. Our vehicle fleet will incur additional costs from a fuel expense perspective. However, I fully expect to be able to defray these additional costs with no adverse impact on guidance. In short, this quarter demonstrates that we have strong levers to manage the business. Profitable analytics-based pricing, quality customer intake, and tight cost execution all came together well in Q1 against an uncertain customer backdrop towards the end of the quarter.

Let us now turn to slide eight. Our portfolio is highly stable, growing strongly, and increasing in profitability. Breaking down the components. Q1 ARPU was €48.30 per customer, up 2.2% year-over-year. This is a particularly important data point. As I mentioned, we deployed our annual price increase across the group in January, and it has landed well in line or slightly ahead of our expectations. Our price increase process is optimized for long-term profitability and value creation. As noted previously, the company has no back-book front-book dynamic. ARPU was also enhanced by upselling, which continues to be a meaningful lever to grow ARPU over time as we broaden our product and service portfolio. Recurring monthly costs were €12.70 in Q1, up 0.6% year-over-year. This includes the temporary headwind from the Mexico integration of approximately €0.20 per customer, which we expect to reduce over time. Therefore, excluding Mexico, the underlying RMC was around 1% lower year-over-year.

As an example of continued progress on cost, in Q1, we delivered a 9% reduction in maintenance visits per customer, supported by our digital-first program, first-time resolution improvements, and the increased use of Computer Vision AI on-device technology. These are tangible operational gains that flow directly to our cost base, as well as improving customer experience. As a result, EBITDA per customer was €35.50 in Q1, up 2.8% year-over-year, generating an EBITDA per customer margin of 73.7%, up 42 basis points year-over-year. Compounding ARPU growth coupled with disciplined cost management differentiates Verisure and underpins our long-term margin growth trajectory.

Turning next to customer acquisition on slide nine. As Austin noted, Q1 new installations were 223,000, up 2.7% year-over-year. This is the second-highest quarter of installations on record, and only a thousand or so behind our Q4 record. In the quarter, as ever, we were disciplined and focused on quality customer intake. We further expanded our sales channels through strategic alliances. In France, our partnership with BPCE has now scaled nationally, supporting further growth in our number two market. In Spain, our partnership with MasOrange launched in April and opens another sales channel in our largest market. Sales made through alliance partnerships increased year-over-year, and the development of this channel continues to offer both incremental growth and diversification opportunities across the group, all at an attractive CPA.

Cost per acquisition in Q1 was €1,574, up 6.7% year-over-year. The year-on-year increase was in line with our expectations and consistent with the trends reported in Q4. Previously discussed media cost inflation in both digital and TV, together with a continued rollout of the Portuguese rebrand. Encouragingly, CPA was lower than Q4 2025 on a sequential basis. As we've said consistently, CPA will naturally ebb and flow quarter to quarter, and I remain very comfortable at these levels of investment. Importantly, our acquisition multiple was broadly stable at around 3.7 times in Q1, in line with recent periods and in line with our ten-year average. New customer cohorts continue to generate an internal rate of return of around 20%, measured over a 15-year time frame. These are highly attractive value-creating returns.

Turning next to cash flow on slide ten. We generated €39 million of positive free cash in Q1. This represents a €95 million improvement year-over-year versus the equivalent €56 million outflow in Q1 2025. This marks good progress as we move through our cash inflection point. Lower interest expenses, slightly lower working capital, and a lower portfolio reinvestment rate. All manifested well in Q1, setting up the strong cash generation performance. Walking through the bridge on the slide. If we start on the left, Q1 adjusted EBIT, as noted, was €277 million. We then add back customer acquisition, EBITDA, and D&A, and remove €122 million of CapEx investment and €48 million of working capital outflow. This means our operating cash flow before customer acquisition was €499 million in the quarter, up 17% year-over-year.

In terms of customer acquisition, we invested €184 million in attrition replacement and €167 million in growing our portfolio. Our portfolio reinvestment rate continues to reduce year after year, now at 57%, as our increasing portfolio cash flows create more capacity to absorb customer acquisition investment. Adjusted operating cash flow reached €148 million, growing 40% year-over-year. We benefited from lower financing costs with €45 million less cash in Q1 year-over-year. This reduction came from a paydown of €2.7 billion of debt at IPO, alongside the valuable refinancing work the team completed, reducing our weighted average cost of debt. I also wanted to note that in Q1, we received a €16 million tax refund. This related to an overpayment of corporation tax in Sweden in 2025. All in, we generated €39 million of free cash flow in Q1. This supported a reduction in net debt and a further reduction in our external factoring balance.

Looking ahead, we remain confident in delivering free cash flow positive for the full year and reaffirm our expectation to pay our first interim dividend in the second half of 2026. Let's now turn to slide 11. Our leverage continued to reduce. Last 12 months net leverage stepped down to 2.8 times at the end of Q1, a 0.1 turn improvement with net debt now below €5 billion. Our balance sheet has strengthened significantly, and we reaffirm our year-end 2026 leverage target of 2.5 to 2.75 times. On the right of the page, you can see our weighted average cost of debt at Q1 was approximately 4.9%, around 100 basis points lower than 2024 levels. More recently, on the 24th of April, as some of you will have seen, we finalized a €570 million term loan A upsize with several of our key banking partners. The proceeds were used to redeem our €450 million, 7.125% senior secured notes due February 2028, and partly redeem our €1.175 billion 5.25% senior

unsecured notes due February 2029. That transaction was completed at a cost of debt well below 4%, and helped deliver annualized savings of €15 to €20 million. Pro forma for that transaction, our weighted average cost of debt is approximately 4.5%.

We continue to monitor conditions in the debt capital markets to refinance the remaining €1 billion of unsecured debt and further optimize our cost of debt. Lastly, from me, let us now turn to slide 12 for a reminder of our 2026 outlook. Today, we are reconfirming our 2026 guidance. For the full year 2026, we expect ARR growth of around 10%, supported by portfolio growth and ARPU progression. We expect the 2026 adjusted EBIT margin to be above 26%, which includes the step-up in rebrand investment from Q2 onwards. We expect to be free cash positive for the year. Structural improvements in reinvestment rate, working capital, and financing costs continue to flow through, and we expect to pay our first interim dividend in H2 this year at a payout ratio of 30% to 40% of H1 2026 adjusted net income. This will be a key milestone marking the beginning of a sustainable, accelerating shareholder returns profile.

We also reaffirm medium-term guidance. We remain confident in delivering around 10% annual ARR growth, revenue growth up to 100 basis points below ARR growth, and progressive adjusted EBIT margin development to 30% over the long term. The company continues to combine a highly predictable compounding revenue base with expanding profitability and increasing cash generation, and we are firmly focused on delivering long-term value for our shareholders. With that, thank you, and I'll now pass back to Austin.

Austin Lally:

Thank you, Colin. Let's turn to the next slide. This brings together the four building blocks of what we call our growth algorithm, the engine that has consistently delivered around 10% ARR growth, and that underpins our medium-term guidance. The first block is market penetration. As I mentioned before, our category penetration is only around 4%, TAM penetration across our footprint, with around 50% of growth coming from other European countries. The market opportunity ahead of us is significant. The second is our stable, high-quality portfolio. Our customers stay with us on average for around 15 years. Our attrition is 7.4%, which we believe is best in class, not only within our peer group, but across global consumer subscription businesses more generally.

The third element is ARPU growth, driven by pricing and upselling. We've delivered a five-year ARPU CAGR of around 2.5% without front book back book dynamics, an important and differentiating feature of our model that protects long-term portfolio value. We continue to see strong upselling momentum with propensity across the portfolio growing. Finally, the fourth is expansion. Mexico is our 18th market following the acquisition completed in Q4, giving us a leadership position with around 40% market share in a sizable and underpenetrated geography. On new segments, we continue to expand product categories, new products, services, and use cases, all generated by our 1,800 in-house technologists. Together, this algorithm supports

sustained revenue growth and underpins our confidence in our 2026 outlook and the guidance we've given for the mid-term and the long term.

On the next slide, I want to spend a moment on a message that goes to the heart of how we run Verisure, how our model compounds long-term value through disciplined, quality-led growth. You can see on the slide how our model self-reinforces. It begins with disciplined customer intake. Quality at the point-of-sale flows through into a growing high-quality portfolio that in turn drives strong portfolio economics, which generates the cash to reinvest in growth. From 2026, we expect to begin the phase of returning capital to shareholders. It's a virtuous circle designed to maximize long-term value per customer. At the center of the model is what defines Verisure quality growth, margin expansion, and cash generation, which ultimately translate into shareholder returns. This is the philosophy that drives our decision-making.

Our model has been proven over many years and through many cycles. Delivering quarter after quarter. Across varied macroeconomic backdrops, we've consistently combined disciplined customer intake with industry-leading attrition, expanding portfolio economics, and disciplined capital allocation. That's what enables us to compound long-term value with confidence, and it's why we remain firmly committed to our model, protecting and growing the value of the portfolio rather than chasing volume. The Q1 numbers are a clear proof point that the strategy is working. The resilience and predictability of our business model give us the strong conviction to deliver attractive, compounding shareholder returns over the long term.

Turning to the next slide. Building on the successful launch of a rebrand in Portugal in late 2025, we have now launched the Verisure rebrand in Spain in the month of April. Spain is, of course, our largest market, and this represents our final step in unifying the Verisure brand across our European footprint. We've launched in Spain under the tagline "First to Protect" – a powerful, succinct expression of our brand promise. First means how we aim to intervene.. Verification and intervention are the core of what we do. We are a high-touch human service company. First also points to our global leadership. Under this banner we are significantly increasing investment behind the Verisure brand in Spain, with a highly visible presence across out-of-home, television, digital, and our retail and field channels.

We are targeting 98% reach with this campaign, and you can see from the images that it's hard to escape the Verisure brand in Spain right now. Reaction so far from our colleagues, existing customers, prospective customers, and the public at large has been positive. We look forward to the opportunities that this investment in unification will bring us. The financials of the Spain rebrand are in line with the guidance that we set out last summer. Incremental marketing investment in Spain and Portugal in 2026 is estimated at €25 million, which we included in our 2026 EBIT margin guidance of above 26%. As Colin mentioned, the associated step up in investment for Spain will be taken in adjusted EBIT from Q2 onwards. In parallel, the Portuguese rebrand continues to progress at pace - around 50% of our digital traffic in Portugal is now under the Verisure brand. The strong learnings from the Portugal lead market are informing our execution in

Spain, and we are well-positioned to deliver this transition with both discipline and success.

On the next slide, I want to highlight two recent examples of new products and services we've launched with AI at the core. As you know, innovation is a core part of our model. Our investment here sets us apart and enables us to continue to extend our category leadership position. Our vertically integrated platform supports us delivering proprietary, differentiated products and services. Guardian is our outside-the-home personal protection service, which we launched in France in Q1. Guardian is mobile-based and connected to our 24/7 monitoring centres, providing security, assistance, and monitoring, and combining geo-location technology with real-time human support. It includes an SOS button directly connected to our monitoring centers, as well as timer functionality that triggers an alert if the user has not arrived safely at their destination when planned. As you would expect, it particularly resonates with families, and we plan to roll out Guardian more broadly across the group in 2026. Second, our seniors protection proposition in Spain. This demonstrates our continued evolution from reactive assistance to proactive intelligence. We use personalized AI models to monitor behavioral changes in the home, with over 100,000 individualized behavioral models running live every day. We use personalized AI models to monitor behavioral patterns in the home. The system is designed to detect potential emergencies early, providing peace of mind for families and meaningful support for an underserved and growing demographic. Both Guardian and Seniors Protection illustrate our broader innovation playbook. Leveraging proprietary AI, personalized at scale with human assistance when it matters most. They are also strong examples of how we are expanding the addressable market and creating new vectors for growth.

With that, let me move to the key takeaways. First, we're pleased with the results in the first quarter, and we look ahead to the rest of the year with confidence. We continue to scale well and with quality. Since we last spoke, we've become global leaders by portfolio size, and we're only getting started. Our model has proven time and again to be defensive and highly resilient. We've delivered strong financial results through all forms of macroeconomic situations, executing with strength and momentum and delivering double-digit growth throughout. We're pleased to have delivered positive free cash flow in Q1. This sets us up well against our expectation to pay a first dividend later this year. Lastly, today we reiterate our 2026 outlook, an outlook that aligns with the medium-term guidance we set out last summer. ARR growth of around 10%, adjusted EBIT margins above 26%, and free cash flow positive for the full year. With that, I will now hand back to the operator and Colin and I look forward to taking your questions.

Q&A

Moderator:

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 ask that you keep to two questions per analyst, please. 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:

Morning, Austin. Morning, Colin. I have two questions, please. In your opening remarks, you mentioned an uncertain customer backdrop towards the end of the quarter. Regarding macro and particularly performance through Q1, did you see any discernible impact on the business in the latter half of March or into April in terms of attrition and so on, or do you think it's potentially too early to see any impact on consumer behavior from the situation in the Middle East? Then secondly, clearly a very good Q1 in terms of adjusted EBIT margins, but you've left your full year guidance unchanged. I appreciate that you've got your rebranding costs for Spain kicking in from Q2. Could you remind us of the expected shape of year-on-year margin development as we move through the remaining three quarters of 2026 to get to your current full-year guidance? Thank you.

Austin Lally:

Well, thank you very much, Annelies. Let me take the first question on the macro. I think certainly consumer confidence, if you went through the quarter, it was clearly more uncertain towards the end than at the beginning. We're all following the global economic events. Actually, if you look at the shape of our delivery through the quarter, like month on month, what you don't see is a material change in behavior that affected us. There's still plenty of demand out there, and the portfolio is rock solid. I'm actually really pleased with Q1. As you know, we ended up with a portfolio of 9.7%, nearly 10%, higher than the year before. This has always been about portfolio growth because the heart of the model is the 90% revenue that's recurring. On the portfolio, I was also very happy with the stable attrition, given the price increase that we put through against that backdrop.

I think the important message, if you then think about the rest of the year, based on what I've seen in the first four months, and based on the solidity of the portfolio, we're very confident to confirm the 2026 outlook. Obviously, we don't guide on short-term installation numbers, we guide on ARR, we guide on EBIT. If you look at the mid-term

and long-term, we've been through this before, through various macroeconomic backdrops. In the past, we've been able to get through that with double-digit growth because of the resilience of our model. So we are reaffirming guidance for the year, and we are confident, and I'll pass on to Colin to talk about the margin.

Colin Smith:

Thanks for the question. When you look at the EBIT margin, I think Q1 really does set a clear example of how our model works effectively and at scale. The key driver of the accelerated EBIT growth was portfolio scale and profitability. We saw customer growth at 9.7%, boosted by Mexico, and we also saw EBITDA per customer up over €1 per customer year-over-year. Growth in both volume and rate is very powerful, and it really is at the heart of our margin growth model. That increased portfolio profitability and cash gave us the capacity to invest more in customer acquisition in the first quarter. Now, let me take the second part of your question and talk a little bit about EBIT margin guidance and evolution. I think, looking forward, we're not yet ready to increase our guidance on EBIT margin above 26%.

You mentioned the Spain rebrand, but just to remind everyone, we expect to invest around €25 million in the Spain rebrand from Q2 through to Q4. I'm not going to give guidance on EBIT margin development quarter by quarter going forward, but I do expect in the second quarter that the EBIT margin will come down a little, purely because we really step into that investment. I think one other point that I would like to make as well, and it's stepping back a bit and thinking about things more broadly, is that it is worth remembering that we are in a period of heightened investment from both a profitability and a cash flow perspective. We've got two large programs in flight, 2G/3G regrades are at peak investment level, and the Spain rebrand will be significant in 2026 and 2027. But these, of course, will flip to become tailwinds for growth once we come through those investments over the next couple of years. It's just worth bearing in mind that those two things are temporary and transitional. I hope that gives you what you need.

Annelies Vermeulen: Very clear. Thank you.

Moderator:

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

Suhasini Varanasi:

Hi. Good morning. Thank you for taking my questions. A couple from me as well, please. When we think about growth and new installs, it was a bit slower versus the pace that you had in the second half last year? Agreed that the ARR growth is still very, very strong at double digits, but can you help us understand how you're thinking about the moving parts of ARR growth for the rest of the year, and whether you expect the growth in your installs to pick up over the next few quarters? The second one is on the outlook, please. Those are small changes in the wording compared to the full-year results. Now it's 10%

ARR growth without excluding Mexico, just wanted to get a sense of what's changed, and are you a little more optimistic about the underlying growth trends? Thank you.

Colin Smith:

I will start with the second question and just take that one, and then Austin perhaps you can take on installs. The answer to the question on outlook is no. There's been no change. We are guiding to ARR growth of around 10% for the year. The point that we're making here is that, as I said earlier in my comments, we do expect to lap the Mexico acquisition by the time we get into Q4. We are running at around 12.2% in Q1, and that benefits from approximately two percentage points from Mexico. We're just basically indicating the fact that we will lap that by the fourth quarter, and we are targeting around 10% at that point in time, so no change to what we've previously got.

Austin Lally:

In terms of the building blocks of ARR, obviously installation growth is one part of it, but fundamentally, 90% of the revenues are obviously coming from the portfolio itself. I think we've got a very good tailwind from the well-taken price increase that we had in Q1. I think 2.2% already, with no measurable impact on attrition. Attrition is also a key part of the solidity of the portfolio. I think if consumer confidence, as Colin said, is a little bit lower for now given the external situation, the fact that the attrition is so solid is one of the more pleasing KPIs. The other thing I'd remind you about is that when it comes to new installations, we don't chase volume. Certainly not. For example, if we think about consumers, we are more cautious, because we want to absolutely make sure that the quality that comes in is of the same high quality that the portfolio itself demonstrates. You could see, for example, when you look at Q1, that we were really disciplined on the quality of the intake, and also looking at the acquisition investment, and we will continue to do so. It's why we actually don't guide on quarterly install numbers because we don't want to create a situation where we're chasing volume. What we want to do is just deliver very high-quality earnings. That starts obviously with the recurring nature of the revenues.

Suhasini Varanasi:

That's very clear. Thank you very much.

Moderator:

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

Erik Lindholm-Röjestål:

Thank you and good morning, Austin and Colin. I just wanted to touch base on the free cash flow improvement here, which improved clearly in Q1. I guess the timing of taxes helped to a certain extent, but if you think about the remainder of the year here, should we expect to pay taxes to swing back in Q2, and what do you think is a reasonable

number for free cash flow for the full year? Then a second question. You mentioned several opportunities to use AI to take out costs and improve operations in the report, but what do you think are the most meaningful opportunities for the near-term to mid-term in terms of leveraging AI to improve the business? Thanks.

Colin Smith:

Thanks, Eric. Let me pick up the first one, and then Austin will take the second one. Yes, absolutely. Positive cash flow, €39 million in the first quarter, was a real highlight. This is a very solid start to the year, and it further reinforces our move through our cash inflection point that we've talked about often over the past number of months. I just want to add a little bit of context on the cash number and what sits underneath it. Firstly, we made a working capital investment of €48 million in the first quarter, and that was primarily driven by inventory build, which is kind of typical and customary for us to do at this point in the year. A €48 million investment in working capital should be borne in mind. We also paid out a proportionately higher than average amount of interest in Q1. We paid interest charges of around €90 million, and that's around 30% to 33% of our annual total. That was a burden on cash, and we also invested in a good level of CapEx.

You're right. We saw a one-time benefit in Q1, which was a €16 million tax refund in Sweden, as noted earlier in the presentation. This is something that relates to the corporation tax overpaid in 2025, and it is a one-off. Broadly speaking, as I look at the numbers, I'm happy that it was a very good quality free cash delivery in the quarter, and I think it sets us up really well for the year ahead, and the expected dividend in H2. If I just add another point while we're on cash, I just want to underscore the fact that I'm really pleased more broadly with how the balance sheet is transitioning. Leverage is down again, as you saw, to 2.8 times. We confirmed the target range of 2.5 to 2.75 at year's end. I would just like to say I don't intend to give guidance on quarterly cash flow, but cash flow will be a little bit lumpy quarter on quarter, and it's not going to be linear through the year, but again, just to reiterate that we're fully on track to meet our full-year guidance as regards to leverage and, of course, there's clear scope for additional returns ahead the ordinary dividend once we set our leverage at around 2.5 times and as we come through those large programs that I talked about earlier on. I hope that gives you what you need, and I hope it was clear. Austin, over to you on AI.

Austin Lally:

Thank you very much for the question. I think we're excited about the AI opportunities for Verisure. We actually think we're very well placed to be an AI winner. You've asked for some sense of the biggest AI opportunities. Let's start with what the platform is. We've got 90 million installed devices in customer homes. We're basically capturing real-time data 24/7 from those families and businesses, and I think if you want to be an AI winner, the AI strategy starts with a data strategy. You're as good as the training data that you can put into algorithms. We've got AI models in place now that are being trained on this data, as well as broader real-world behavioral data and the incident data.

We're then deploying those models across this large install base. That really helps us do the core job of verification and intervention, which is what customers pay for, much better. That job around verification and intervention is basically the combination of technology and the high-touch human service that we provide.

What we've done since the start of the year is we've also stepped up significantly the focus and the governance. We've built our own company-wide 'AI-Ops' platform that we can leverage for all the use cases. We've also stepped up leadership and governance with the creation of a central group, the 'AI Office', to coordinate and accelerate the deployment of the AI use cases. I think there's more coming from this. If I take some of the more interesting use cases, I am very excited about speech analytics. We're talking to hundreds of thousands of customers every month. This quarter, we screened 400,000 customer conversations. We're screening them for insight and for sentiment. We're also automating manual tasks like call summaries or auditing the quality of calls. We think this is going to improve the customer experience by eliminating recurring problems. We'll be able to identify upselling opportunities. It will also play into operational efficiencies because we understand how we can make those calls more efficient, like more effective.

If you take something like battery consumption, which is actually a high cost, we're actually increasing the modeling through AI devices so that we're not replacing batteries too soon, allowing us to group battery shipments, and also helping us reduce field service visits. There is obviously a lot of discussion about agentic AI. We are already piloting AI agents for internal use cases as well as for customer-facing ones. We had an interesting proof of concept in Germany, where we actually offered customers the option to be helped with AI and have a shorter waiting time, and we already had about 25% of customers accepting this option. In some of these cases, there was no human intervention needed. We basically had 100% saving on the average handling time, and we also had happier customers.

We got lots of other examples. We've got our seniors program, which I mentioned earlier. Now moving to proactive intelligence, I mentioned that in my earlier remarks, we've got our GuardVision camera deployment moving to a really strong promise on outdoor monitoring. That was probably one of the trickier use cases. Outside the house in an external environment, distinguishing, for example, between human and non-human triggers is difficult to do without AI. We know that outdoor monitoring is actually a use case where there's a lot of appeal to customers, even among existing customers. So there is lots to go after both from a customer experience perspective, doing the core job better, and from an operational efficiency perspective. That's why we keep going back to the fact that we're excited about AI and the benefits we're going to get from it.

Erik Lindholm-Röjestål:

Perfect. Thank you for your very clear answers and for elaborating on the AI point.

Moderator:

The next question comes from Guilherme Sampaio from Caixabank. Please go ahead.

Guilherme Sampaio:

Hello. Thank you for taking my question. Two, if I may. The first one is on the new installations. I appreciated the original call you provided about the UK and Italy being relatively strong. In Q4, you've mentioned that Spain and France were strong, but now they're no longer mentioned. Just wanted to understand why there is some change in market dynamics there. Connected to that, how are you seeing the decline in new installations in Spain that your main competitor in the country has recorded this quarter? I saw the dynamics there. The second question is regarding the high and the low end of your 2.5 to 2.75 times needed to be the target for this year. There's a significant leeway that you have here in terms of free cash flow. What could drive us to the high end and to the low end according to your expectations? Thank you.

Colin Smith:

Actually, don't read anything into mentioning the UK and Italy, for example. We did it just to put a little bit of color into the report because the results were particularly good. Really pleased with the resilience of the company's performance in general across the board. We also noted in the report that the growth in Latam was a bit lower. Again, we did that in the spirit of transparency because the macro situation there is obviously a bit more difficult. However, we're more than compensating for that with growth in the rest of the footprint.

If I can just quickly pick up your point on exit leverage guidance for the year, we gave 2.5 to 2.75 times at the beginning of the year, and we're standing by that alongside the rest of our guidance. I do expect that we will narrow that range in the coming months as we get a bit further through 2026, but for now, that's kind of where we are. Thank you.

Guilherme Sampaio: Thank you.

Moderator:

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

Jane Sparrow:

Two questions, please. Firstly, just on the alliance partnerships where you reference good growth, I just wanted to check on the long-term customer behaviour of customers signed up via those partnerships. Are there any differences in attrition rates for those customers or indeed any of your other metrics that we should consider if they're a growing part of the pie? Then secondly, just on CPA, you've lapped the big step up in

marketing and media costs from last year, and CPA is obviously pretty flat on Q1 versus Q4. As you look ahead for the rest of the year, is that year-on-year growth in the marketing and media component now back at more inflation-type levels, or still running ahead of inflation and needing to be offset by savings elsewhere? Just a bit more color on the CPA, please.

Colin Smith:

Hi Jane, it's Colin. I will pick up the CPA question first, and then Austin can add a bit more color on alliances. You're absolutely right. We were pleased with CPA in Q1 at 6.7% growth. That was broadly in line with the growth rate to the levels that we talked about in Q4. The drivers for that are consistent. We've seen a like-for-like increase in media costs of around 10%, and we don't expect to lap that until the second quarter. The Portugal rebrand continues, and we had upfront revenues strong at €420, but around €30 lower on a year-over-year basis. It's the same combination as we saw in Q4. I will again just remind everyone on the call that we do focus on the acquisition multiple, not just CPA.

The acquisition multiple takes into account both the CPA invested in acquiring a new customer, and also the improved customer profitability that we get back in return, which is also increasing, and that's been broadly stable. As I look forward, I think there are a couple of things happening on CPA. We've talked about the Spain rebrand that really starts to land in the second quarter. I would expect that to bring pressure on CPA on a like-for-like basis. But you're right in that we're lapping the step up in the media costs that we saw started in Q2 of 2025. On a like-for-like basis, I wouldn't give quarterly CPA guidance, but we're broadly happy with where the consensus is. I would expect CPA to grow at kind of similar level in Q2 as what we've seen in Q1.

Austin Lally:

Thank you, Colin. On the alliances, Jane, thanks for bringing this one up, because it's an important topic for us. We're really happy with the economics of the alliance partnerships that we have. Typically they have an attrition profile that is in line with the company, or even better. The reason is that they're often being pre-qualified by the alliance partner. They're often part of a bundle, for example, with a mortgage or an insurance policy, which actually contributes to the stickiness of the customer. If you look at the other parts of the economics, we're basically bringing them in on effectively the same pricing because we don't want to have a dilutive channel coming in. And it often comes in with a lower CPA as a channel because, effectively, some of the work to bring the customer is falling on the alliance partner rather than necessarily coming from a Verisure media investment.

Jane Sparrow: Thank you.

Moderator:

The next question comes from Adrian Elmlund from Nordea. Please go ahead.

Adrian Elmlund:

Hi, guys. Good morning. Only one question for me, please. Could the rebranding in Spain here create any disruptions in Q2? When looking at Portugal, it appears to have been going smoothly, but did you see any impacts on installation volumes or any other metric in Portugal that we perhaps could assume to be similar for Spain?

Austin Lally:

I think the interesting one actually is a little bit hot off the press. Already 50% of the traffic in Portugal is actually coming in through the Verisure brand. That's actually a quicker build-up than we had expected. We're already at more than 60% brand awareness for Verisure in the country, so very happy with that. Spain only launched two weeks ago, building on the Portugal playbook, and we're already at 30% of leads originating on Verisure in just two weeks after launch. If anything, it looks potentially like Spain might go quicker. We're not building that in the guidance as we are still in the early days and, you know, one swallow doesn't make a summer. We just need to let it bed down, but we're very encouraged by how it started.

Adrian Elmlund:

Right, and you do not see any impact on the installation volumes, as you did in Portugal?

Austin Lally:

I think the point is that we're investing more and we're creating news, we're obviously triggering growth. I've always viewed this not as playing defense, but as an investment in the long-term health of the business. That 25 million, for example, that Colin referenced in 2026, ends up on the expense line, but I don't view it as an expense, I actually view it as building brand equity and building brand consideration and preference for the long term, and I think we're going to get a great ROI on it.

Adrian Elmlund: Okay. Fair enough. Perfect. Thanks.

Moderator:

The next question comes from David Brockton from Deutsche Bank. Please go ahead.

David Brockton:

Good morning. Two from me, please. Firstly, if you strip out Mexico, you held recurring monthly costs very low in the quarter. You touched on some inflationary pressures, vehicle costs, etcetera, but is it reasonable to expect that to remain broadly flat across the rest of the year, or are there any signs of any other inflationary pressures building? Then the second one, just in relation to the Origin AI minority stake sale, I note you signed a five-year commercial agreement there. Can you just help me understand how critical that tech is for the business and the offer, and did you consider acquiring it yourself? Thanks.

Colin Smith:

David, why don't I go first on RMC. As you see, we were pretty happy with the cost performance in the first quarter, down 1% if we if we exclude Mexico. We've talked about Mexico being slightly higher on RMC, and we're working, as you would expect, to quickly bring that in line. We're going to introduce Verisure best practice. We've also got some transition services agreements unwinding and, of course, the acquisition. We expect that to come back in line. On our RMC more broadly, I would take you back to our long-term track record. If you look at RMC over the past 10 or 15 years, we've faced down inflation over that period, and we've reduced it by around 1% per annum on average. That's before, of course, any opportunity, any step change opportunity that we get from all of the various AI techniques and technologies that we're introducing that help both the cost base and the customer experience. I think we're quite confident in RMC. Looking forward, we see a continuation of that evolution and that trend line that we've delivered over the last 10 or 15 years. Specifically on your question around impacts from the Middle East, I don't see any situation where we're going to experience increased costs directly from that conflict that are going to take us off track, as I talked about earlier.

Austin Lally:

Let me talk about Origin Wireless. We actually do believe that Wi-Fi sensing will be one of the important future technologies. In fact, it is already a current technology for us. Not the only one, not unique, but certainly important to have in the armory, and we identified this already more than five years ago. We've been users of the early technology for five years, and we have been minority investors since 2023. You could see we were one of the first companies to see the potential and to move in. We were happy that ADT came into the mix here because what it does is put more scale right behind the Wi-Fi sensing development and deployment.

We don't play in the US market. We don't have a plan to do that. We're the leader in Europe and Latin America, and globally, and effectively, this partnership between ADT and Origin Wireless gives ADT access to Wi-Fi sensing technology, which we've contributed quite a bit to the development of the use cases. However, it actually expands our existing rights, and it gives us exclusivity within professionally monitored security across our footprint. We've retained the strong access that we really wanted, and we think financially that made more sense than us taking over global ownership of a

technology that we would only deploy in a more limited part of the world. I would also make another commercial point here, which is that the financial commitment is fixed at pre-agreed pricing, including future renewals. There's no margin pressure from the arrangement over time for us.

David Brockton: Okay. That's very clear. Thanks. That makes sense.

Moderator:

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

Austin Lally:

Thank you all for joining us today. Thanks for the questions. Thanks for the continued interest and support. As I mentioned at the outset, we look forward to sharing these results today, and we hope we've addressed the questions that you had about Q1, as well as our confidence in delivering on our full 2026 guidance. We remain the clear category leader. We're number one in 14 of our 18 markets. We still operate in highly underpenetrated categories. We've got a long growth runway ahead. We offer a unique, differentiated customer proposition, combining best-in-class technology and services with human intervention when it matters most. We've got a highly predictable compounding revenue base, expanding profitability. We've got a disciplined balance sheet. We've got increasing cash generation, and we're confident in our trajectory. We're also confident in our ability to deliver long-term value across varying economic cycles. Thank you for joining us today, and we look forward to continuing the conversation with you in the coming weeks.