



ASX ANNOUNCEMENT

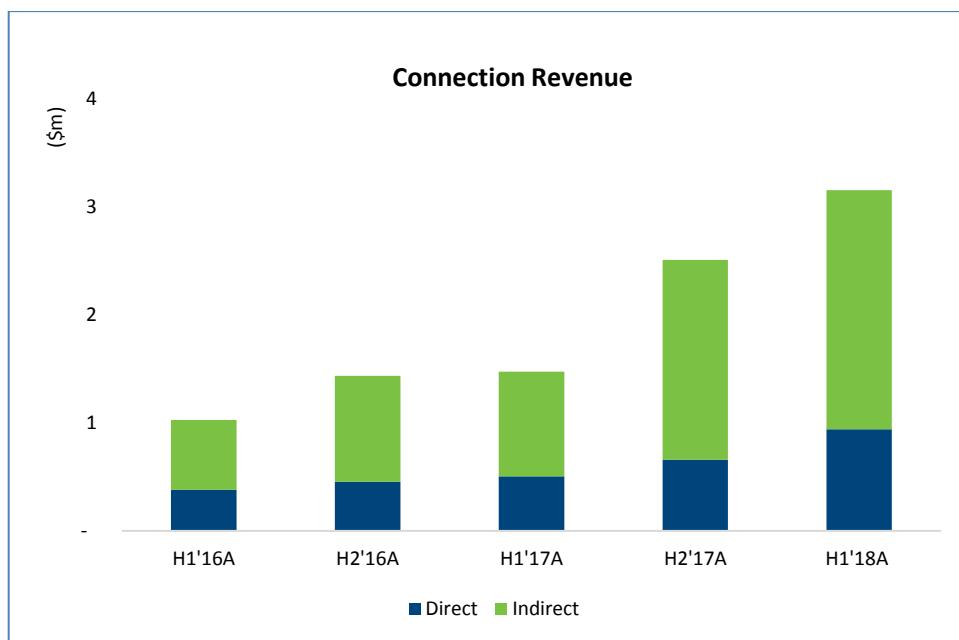
27 February 2018

Threat Protect HY2018 Review & New Acquisition Funding Package Secured

Threat Protect Australia Limited ("Threat Protect" or the "Company") (ASX: "TPS") today announces its financial results for the half year ended 31 December 2017, with a first half adjusted EBITDA profit, positive cash flow generation and significant progress in the execution of its growth strategy.

Highlights

- The Company recorded Operating Revenue of \$6.7m for the half, up 27% on previous corresponding period (PCP) of \$4.6m.
- Underlying Monitoring revenue increased 108% to \$3.5m, with Gross Profit for the division of \$1.8m.
- The group achieved Adjusted EBITDA of \$0.4m, after accounting for a number of one-off items. This compares to \$0.2m Adjusted EBITDA in 1H'17.
- Net cash from operating activities was \$0.8m, with a cash position of \$0.7m at the balance date.
- A further funding package has been secured with cornerstone investor First Samuel Limited of up to \$8.0m. This will be used to fund the anticipated acquisition activity of security monitoring client bases.
- During the Half TPS acquired seven East Coast based security monitoring client bases, including Alpha Alarms and Seekers Security management. These acquisitions provide a strong platform for growth in 2H'18.



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Financial Performance

- Total revenue for the Half Year was \$7.0m, with Operating Revenue of \$6.7m.
- The active growth strategy continues to increase the Company's scale of operations, with operating revenue continuing to grow, with year to date tracking at around 62% of FY'17 total operating revenue.
- Although EBITDA was reported as a loss of \$0.3m, normalised results deliver an adjusted EBITDA of \$0.4m.

Adjusted EBITDA Reconciliation

Operating Income	H1'18A	H1'17A
<i>(A\$000)</i>		
Reported Group Revenue	6,990	5,492
<i>Adjustments:</i>		
Government grant		(896)
Gain / loss on sale of PPE	1	(5)
Interest income	(1)	(2)
Debtor recovery	(247)	
Other income	(39)	
Operating income	6,704	4,589
Reported EBITDA	(255)	952

Adjusted Group EBITDA	H1'18A	H1'17A
<i>Adjustments:</i>		
Impairment – Bad Debts		4
Share based payments	550	
Acquisition costs	400	154
Government grant		(896)
Apollo debtor recovery	(247)	
Other Income	(39)	
Gain on sale of PPE	1	
Adjusted EBITDA	411	213

Monitoring Division

HY 31 December (\$'000)	H1'18A	H1'17A	PCP
Monitoring revenue	3,784	1,699	123%
Monitoring revenue (underlying)	3,535	1,699	108%
Monitoring GP	1,793	1,023	75%
<i>GP Margin %</i>	<i>51%</i>	<i>60%</i>	

- Connections at the end of December totalled ~38,000, with ~22% of these direct connections.
- 1H'18 Monitoring revenue of \$3.8m increased 123% on H1'17, largely driven by the acquisition of additional connections and conversion of indirect connections to direct.
- Gross Profit increased 75% to \$1.8m, at a margin of 51%.
- Half-on-half GP margin decline reflects East Coast Apollo acquisition, including East Coast control room.
- The month of December saw the Monitoring division deliver a monthly exit run-rate of \$623k in Recurring Monthly Revenue (RMR), an increase of 19% on the average RMR for the half.

Guarding & Services

HY 31 December (\$'000)	H1'18A	H1'17A	PCP
Guarding & Services Revenue	3,167	2,890	10%
Guarding & Services GP	164	209	-21%
<i>GP Margin %</i>	<i>5%</i>	<i>7%</i>	

- Guarding & Services revenue increased 10% to \$3.2m.
- The division generated Gross Profit of 164k, at a margin of 5%, a reduction on H1'17.
- 1H seasonally slower with contract volumes typically favouring events held in the warmer months.

Acquisition Growth Strategy

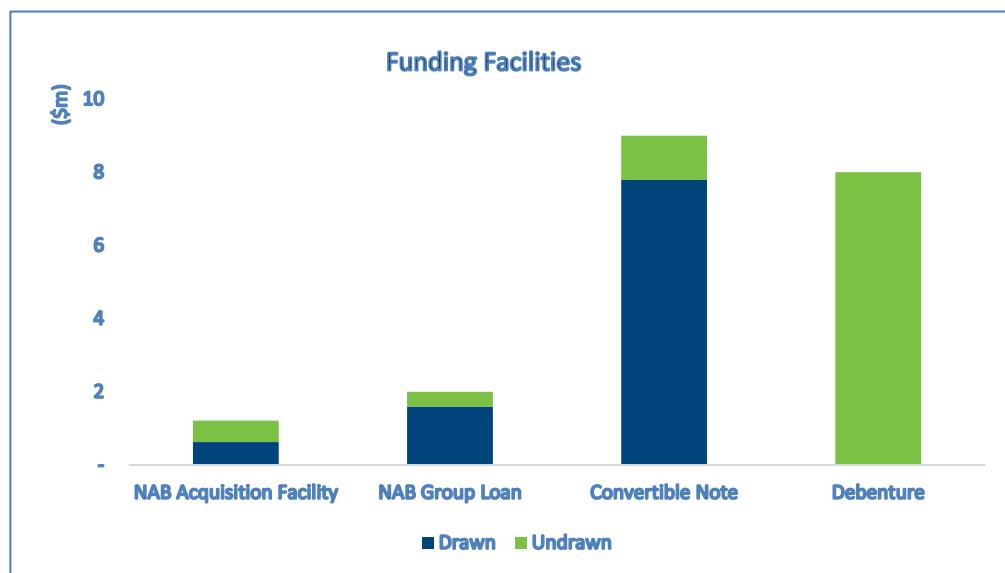
The Company's growth strategy is focused on leveraging the largely fixed cost infrastructure and significant unutilized capacity of its existing monitored security business, through the acquisition of monitored security client bases across Australia.

Security Monitoring is a readily scalable business model whereby new monitoring revenue is able to generate increased margin and significant earnings uplift. Throughout 1H'18 Threat Protect took significant steps in executing its growth strategy, both in securing funding and the execution of acquisitions.

Over the H1'18 threat Protect announced it had completed the acquisition of a total of seven NSW based security monitoring client bases from within their pool of resellers. This included the acquisition of Alpha Alarms Pty Ltd ("Alpha") and Seekers Security Management Pty Ltd ("Seekers").

Acquisition of these monitoring businesses have enhanced Threat Protect's presence on the Eastern seaboard, adding over 2,800 residential and commercial subscribers in New South Wales, Victoria and Queensland. These acquisitions have increased the number of direct connections monitored by TPS by 30% to circa 8,200 from a total of approximately 38,000 connections monitored in total.

Acquisition Funding



Threat Protect is pleased to announce it has secured an additional \$8m in funding with Melbourne based First Samuel Limited. The unsecured debenture will attract an interest rate of 6.0% for an initial 6-months after the issue date of the debentures, and 7.00% per annum thereafter (refer Appendix A for a full summary of terms).

The facility will allow the Company to continue to execute on its strategy of making accretive acquisitions. First Samuel are also responsible for funding TPS's recent acquisitions via a \$9m convertible note, which has a remaining ~\$1.2m in headroom available. First Samuels continued support of the Company is a strong signal of their confidence in the ongoing growth strategy of the business.

Company Outlook

Threat Protect's Managing Director Demetrios Pynes commented, "*1H'18 results demonstrate that our growth strategy is beginning to yield results.*

The Monitoring acquisitions completed in the half provide a strong basis for growth into 2H'18. While retaining focus on our existing operations, we will continue to pursue various acquisition opportunities in a disciplined manner, where they make strategic sense and add value.

The additional facility as announced above provides the Company a further \$9.2m to pursue additional accretive acquisitions."

- End -

For further information, contact:

Investors

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Appendix A – Summary of key terms of debentures

Face Value	AUD1 per debenture
Number of Debentures	8,000,000
Security	The debentures are not secured against any assets of Threat Protect.
Subscription	All 8,000,000 debentures are to be subscribed by First Samuel (or its nominee) on the date of execution of the debenture deed, therefore raising AUD8,000,000.
Ranking	All debentures issued in accordance with the debenture deed shall rank equally
Interest	Interest is paid monthly in arrear during the term, calculated on the outstanding face value of the debentures at the applicable interest rate, on the basis of a 365-day year. The interest rate for the first 6 months after the issue date of the debentures is 9.00% per annum, and thereafter, the interest rate is 10.00% per annum. If no event of default is subsisting, First Samuel shall accept a concessionary interest rate of 6.00% per annum for the first 6 months after the issue date of the debentures, and 7.00% per annum thereafter.
Term	18 months.
Repayment	The face value of the debentures together with all accrued interest and any other amounts owing under the debenture deed are repayable on the date that is 18 months after the date of execution of the debenture deed, unless otherwise agreed between the parties.
Early redemption	Threat Protect may voluntarily redeem some or all of the debentures on issue before maturity, without penalty, provided it gives First Samuel not less than one month's notice of such redemption.
Representations & Warranties	The debenture deed contains representations and warranties that are typical of a facility of this nature.
Undertakings	The debenture deed contains general undertakings that are typical of a facility of this nature, including, a negative pledge in respect of the creation of any security interest over any of Threat Protect's assets (other than a security interest that is permitted by the debenture holder under the terms of the debenture deed, or otherwise with its consent).
Covenants	There are no financial covenants (including any financial ratio testing) imposed on Threat Protect under the debenture deed.
Events of default	<p>The events of default are typical of a facility of this nature, and include:</p> <ul style="list-style-type: none"> • the failure to pay or repay any amount of the outstanding moneys when due, and such failure is not remedied within 2 business days; • the failure to perform any undertaking or obligation of Threat Protect under the debenture deed, and if capable of remedy, is not remedied for 5 business days (of such longer time as First Samuel may agree); • misrepresentation of any warranty; • enforcement of any security interest over an asset of Threat Protect in excess of \$100,000; • a judgement, or any execution or other process of a government agency in an amount in exceeding \$250,000 is obtained against Threat Protect; and • an insolvency event occurring in respect of Threat Protect. <p>If an event of default subsists, First Samuel may at any time by notice to Threat Protect, declare that the outstanding moneys under the debentures and the debenture deed are immediately due and payable.</p>

About First Samuel Limited

First Samuel Limited is an independent Melbourne based wealth management business that has been providing integrated wealth management services to private clients since 1999.

With over \$650 million under discretionary management, First Samuel adopts a medium to long term investment horizon, and has significant corporate investment experience having been involved in numerous restructurings, capital raises and merger and acquisition activities.

About Threat Protect Australia Limited

Threat Protect provides monitored security solutions that ensure the safety of Australian homes and businesses 24 hours a day, 365 days a year.

We have the highest security accreditation possible to achieve in Australia and use only state-of-the-art technology and equipment.

Our commitment to providing a complete end to end service is second to none, whether you own a small apartment or giant multi-national headquarters.

- [Monitored Security Systems](#)
- [Security Personnel](#)
- [Corporate Risk Consultancy](#)

We call it “**Security Without Compromise**”.

- Threat Protect is a leading Australian security agency fully licensed by WA and NSW police departments and other national and international bodies.
- We support thousands of residential and business clients in Australia and beyond.
- We'll personally evaluate your security needs.
- All products and services meet Australian Standards.
- 24-hour monitoring from our A1 graded control rooms in Perth and Sydney.

