

Quarterly Activities Report and Appendix 4C

Quarter ended: 30 June 2019

About Threat Protect

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**”.

GROWTH STRATEGY

The Australian security industry is highly fragmented and Threat Protect believes is conducive to consolidation, given its stable revenue streams and fixed infrastructure cost model.

Threat Protect’s growth strategy is focused on leveraging the largely fixed cost infrastructure and significant capacity of its existing extensive security control room through acquisition of monitored security client bases across Australia.

Threat Protect Activities Report for June 2019 Quarter

Threat Protect Australia Limited (“**Threat Protect**” or “**Company**”) (ASX: “**TPS**”) is pleased to provide its quarterly market activity update.

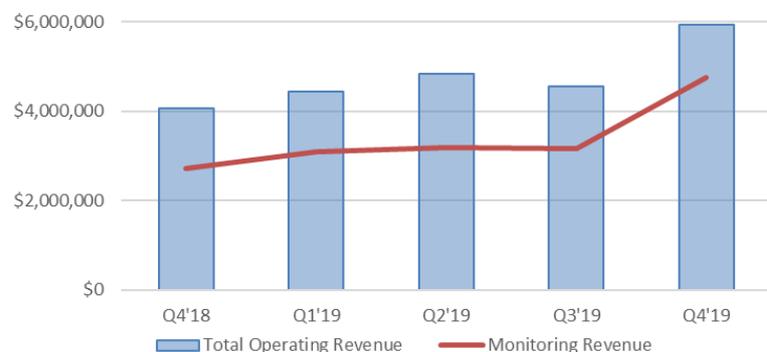
HIGHLIGHTS

- Completion of the acquisition of Onwatch Pty Ltd (**Onwatch**), a successful Eastern States monitoring alarm security business, on 30 April 2019.
- \$49.0m funding package (debt and equity) completed during the quarter in relation to the acquisition of Onwatch.
- Operating revenue for June quarter of \$5.9m is up on last quarter, with a YOY total revenue growth increase of 45.7%.
- Monitoring revenue for June quarter of \$4.8m, up on the last quarter result, and showing a YOY total revenue growth increase of 75.4%.
- Cash at bank of \$2.1m .

OPERATING REVIEW

The Company’s operating revenue was significantly higher in the June quarter predominately due to additional monitoring revenue with the acquisition of Onwatch.

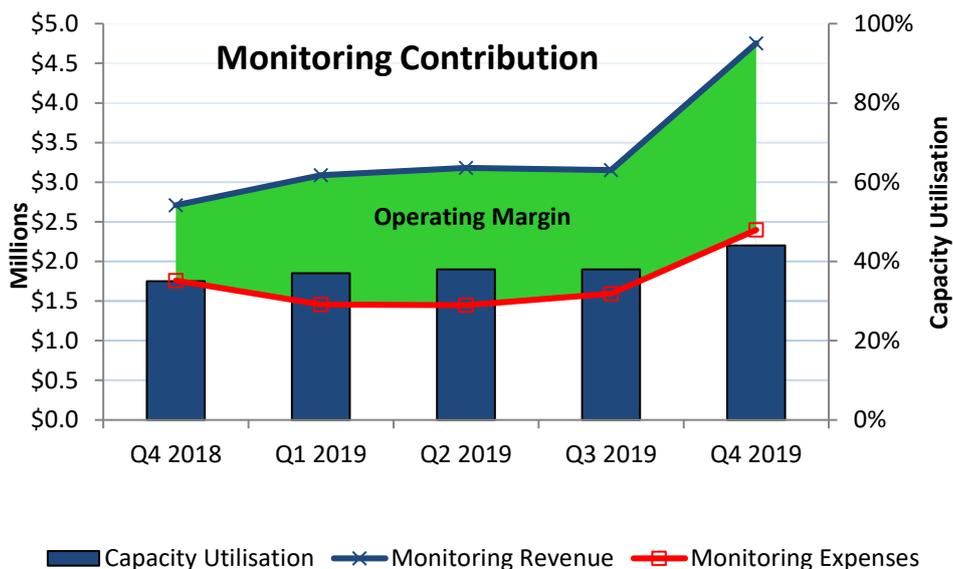
TPS Quarterly Operating Revenue



The completion of the Onwatch transaction had the Monitoring division RMR increase for the months of May and June to revenue in excess of \$1.8m. As shown in the graph below, there has also been an increase in the capacity utilisation and contribution margin now achieved in the Monitoring division.

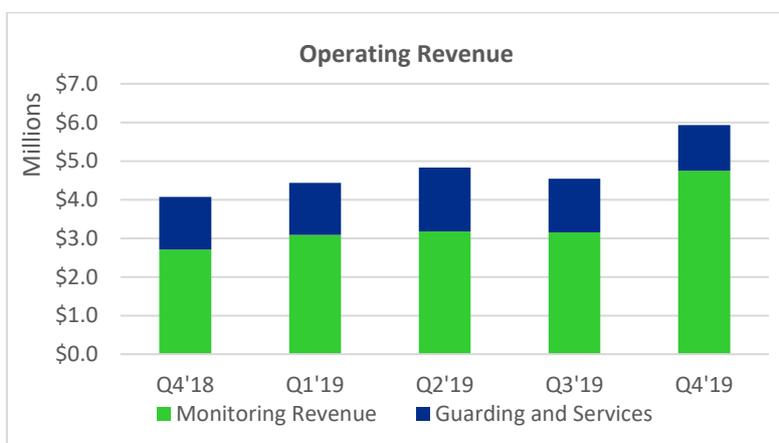
Compared with the June 2019 quarter the Company’s recurring monitoring revenue growth has increased 75.4%.

The Company has focused this quarter on bedding down the Onwatch transaction, but still has identified several other significant acquisition opportunities both externally and within its reseller network with a view to further increasing scale and margin uplift further and is actively conducting due diligence on these prospective acquisition targets.



Security Manning and Consulting Services

Manning and consulting revenue for the June 2019 quarter was lower with the Company’s focus on consolidating the existing service contracts, and training initiatives with larger commercial clients. The sources of revenue for the quarter reflect the continued focus of the business unit towards contracts with a greater component of recurring work and security consultancy.



CORPORATE AND FINANCIAL

On 1 May 2019 the Company announced that it had completed the acquisition of Onwatch, a successful Eastern States monitoring alarm security business for approximately \$36.0m. The Company also announced it had put in place the new \$49.0m funding package, which is a mix of debt and equity.

Key aspects of the Onwatch acquisition included:

- Additional recurring monitoring revenue ~ \$12.0m
- Increases utilisation of Threat Protect's excess capacity
- Significant synergy and cost saving opportunities in excess of \$2.0m
- EPS accretive post normalisation for acquisition and integration costs

The acquisition was funded by a combination of debt and equity:

- \$36.0m Secured Debt Facility arranged by Soliton Capital Partners Pty Ltd
- \$11.5m of the funding will retire the existing Macquarie debt facility
- \$8.0m Unsecured Debt Facility from First Samuel Limited
- \$2.0m of scrip issued to the Vendors at \$0.25 per share on completion of the acquisition

The previous \$9.0m convertible notes held by First Samuel Limited was converted into equity under the existing terms on completion of the acquisition on 30 April 2019.

The Company recorded a net cash inflow from operating activities of \$828k during the quarter, which increases to \$1.4m after adding back \$595k for one-off business acquisition and integration activities and costs of due diligence activity on the Onwatch acquisition to the end of the June 2019 quarter.

Cash at bank at the end of June was \$2.1m.

- End -

For further information, contact:

Investors

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Appendix 4C

Quarterly report for entities subject to Listing Rule 4.7B

Introduced 31/03/00 Amended 30/09/01, 24/10/05, 17/12/10, 01/09/16

Name of entity

Threat Protect Australia Limited

ABN

36 060 774 227

Quarter ended ("current quarter")

30 June 2019

Consolidated statement of cash flows	Current quarter	Year to date
	\$A'000	(12 months)
		\$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	6,473	21,672
1.2 Payments for		
(a) research and development	-	-
(b) operating costs	(1,538)	(5,721)
(c) advertising and marketing	(76)	(218)
(d) leased assets	-	-
(e) staff costs	(3,648)	(11,600)
(f) administration and corporate costs	(562)	(1,538)
1.3 Dividends received	-	-
1.4 Interest received	4	8
1.5 Interest and other costs of finance paid	(886)	(2,195)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other (provide details if material)		
- Business acquisition & integration costs	(595)	(1,995)
1.9 Net cash from / (used in) operating activities	(828)	(1,587)

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (12 months) \$A'000
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	(46)	(95)
(b) businesses, net of cash acquired	(2,028)	(2,519)
(c) investments (financial assets)	(90)	(112)
(d) intellectual property	-	-
(e) intangible assets	(1,184)	(4,610)
2.2 Proceeds from disposal of:		
(a) property, plant and equipment	-	-
(b) businesses	-	-
(c) investments	750	750
(d) intellectual property	-	-
(e) other non-current assets	-	-
2.3 Cash flows from loans to other entities	-	-
2.4 Dividends received (see note 3)	-	-
2.5 Other – Government Grants Received	-	926
2.6 Net cash from / (used in) investing activities	(2,598)	(5,660)
3. Cash flows from financing activities		
3.1 Proceeds from issues of shares	4,864	6,545
3.2 Proceeds from issue of convertible notes	-	-
3.3 Proceeds from exercise of share options	-	2,400
3.4 Transaction costs related to issues of shares, convertible notes or options	(141)	(243)
3.5 Proceeds from borrowings	-	10,679
3.6 Repayment of borrowings	(370)	(11,127)
3.7 Transaction costs related to loans and borrowings	-	-
3.8 Dividends paid	-	-
3.9 Other (provide details if material)	-	-
3.10 Net cash from / (used in) financing activities	4,353	8,254
4. Net increase / (decrease) in cash and cash equivalents for the period		
4.1 Cash and cash equivalents at beginning of quarter/year to date	1,219	1,139
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(828)	(1,587)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(2,598)	(5,660)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	4,353	8,254
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of quarter	2,146	2,146

5. Reconciliation of cash and cash equivalents	Current quarter \$A'000	Previous quarter \$A'000	
at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts			
5.1	Bank balances	2,146	1,219
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	2,146	1,219

6. Payments to directors of the entity and their associates

- 6.1 Aggregate amount of payments to these parties included in item 1.2
- 6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2

**Current quarter
\$A'000**

98

-

Directors' fees, salaries and superannuation.

7. Payments to related entities of the entity and their associates

- 7.1 Aggregate amount of payments to these parties included in item 1.2
- 7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2

**Current quarter
\$A'000**

-

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8. Financing facilities available <i>Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
8.1 Loan facilities	1. 36,000	36,000
8.2 Credit standby arrangements	-	-
8.3 Other	2. 8,000	8,000
8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured.		

1. Secured Notes issued by Soliton Capital Partners Pty Ltd. Current Interest Rate 12.125%
2. Unsecured Notes issued by First Samuel Limited on behalf of its MDA clients.
Current Interest Rate 8.49% pa.

9. Estimated cash outflows for next quarter	\$A'000
9.1 Research and development	-
9.2 Operating costs	(2,824)
9.3 Advertising and marketing	(51)
9.4 Leased assets	-
9.5 Staff costs	(3,634)
9.6 Administration and corporate costs	(564)
9.7 Interest payments	(778)
9.8 Repayment of borrowings	-
9.9 Purchase of intangible assets	-
9.10 Purchase of property, plant & equipment	(18)
9.11 Total estimated cash outflows	(7,869)

Cash outflows for next quarter excludes any estimated operating cash inflows.

10. Acquisitions and disposals of business entities (items 2.1(b) and 2.2(b) above)	Acquisitions	Disposals
10.1 Name of entity	Onwatch Pty Ltd	Security House Monitoring Pty Ltd (43% Interest)
10.2 Place of incorporation or registration	Australia	Australia
10.3 Consideration for acquisition or disposal	\$33,726,303 (\$1,500,000 Deferred until 30 April 2020)	\$750,000
10.4 Total net assets	\$33,726,303	\$466,115
10.5 Nature of business	Security Services (For further information please see ASX announcement dated 1 May 2019)	Security Services

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Sign here:


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Company Secretary

Date: 31 July 2019

Print name: Simon Whybrow

Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.