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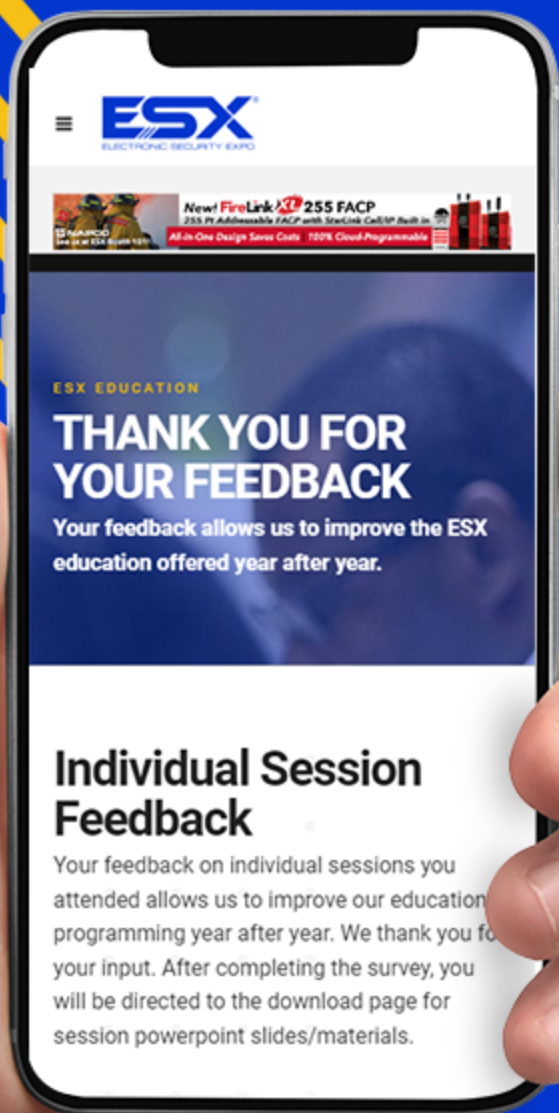


ELECTRONIC SECURITY EXPO

MANAGEMENT TRACK

**5 ESSENTIAL KPIS THAT
MEASURE YOUR SUCCESS**

ESX FEEDBACK



1

**ANSWER 5
QUESTIONS
ABOUT THIS
SESSION**

2

**GAIN
ACCESS
TO THE PPT
SLIDES**

3

**BE ENTERED
TO WIN A
\$100 GIFT
CARD**

3 GIFT CARDS (\$100 EACH) AVAILABLE FOR SURVEY RESPONDENT RAFFLES

WINNERS WILL BE NOTIFIED THROUGH THE ESX APP



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COURSE OBJECTIVES:

5 Essential KPIs that Measure Your Success

- The top KPIs that are relevant to your security business' health
- KPIs should be measurable and have a direct impact on your bottom line
- Powerful insights on the current state of the business and its vulnerabilities
- The importance of using this data to make more informed financial decisions, whether buying a company or selling yours

MEET THE SPEAKERS



**KELLY
BOND**

**PARTNER
DAVIS MERGERS
AND ACQUISITIONS**



**JENNIFER
HOLLOWAY**

**MANAGING
DIRECTOR
CIBC BANK USA**



MARC KATZ

**MEMBER
LAW OFFICES OF
MARC KATZ**

MEET THE SPEAKERS



**MICHAEL
WEISBECK**

**CFO
NEWVISION
SECURITY**



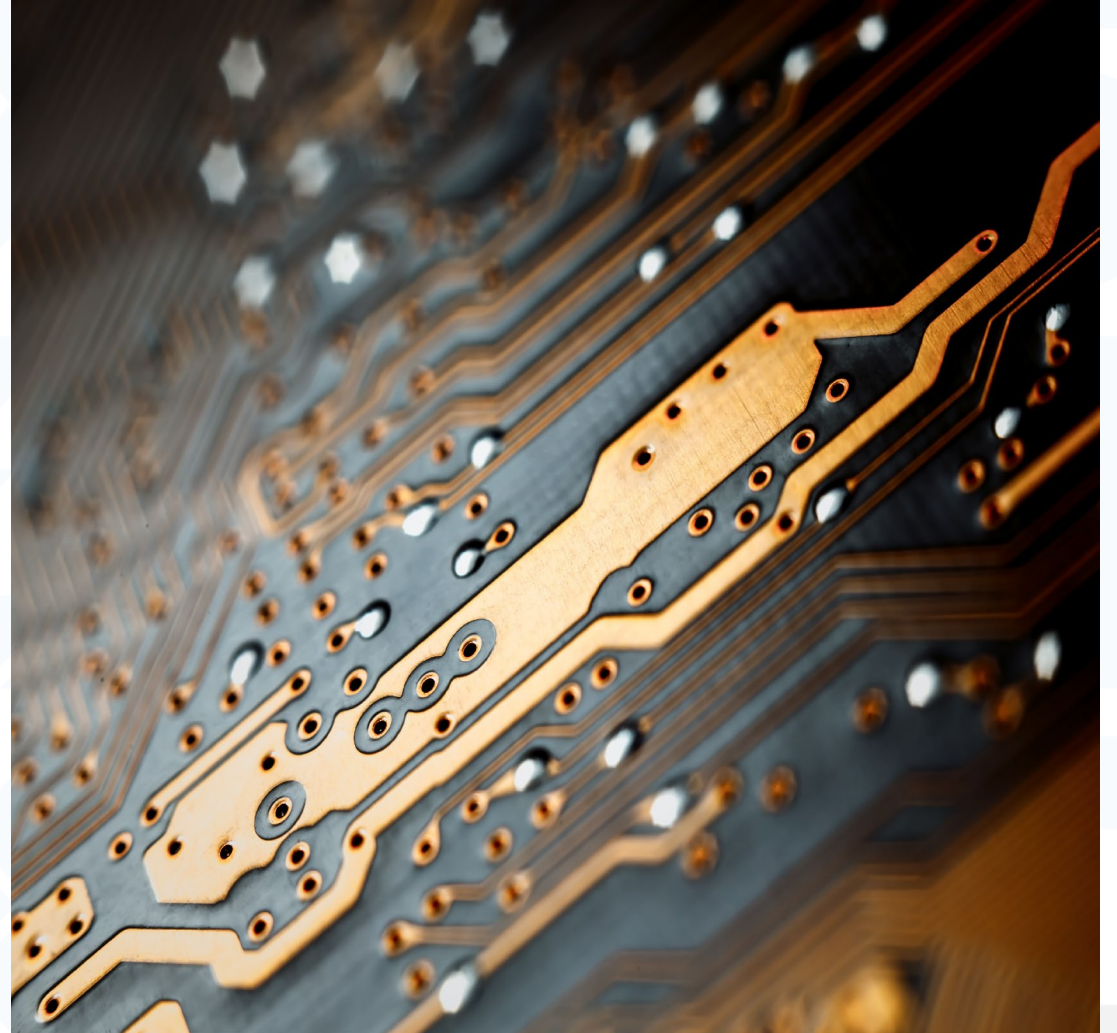
**JIM
WOOSTER**

**PRESIDENT
ALARM FINANCIAL
SERVICES, INC.**

5 Essential KPIs That Measure Your Success

What Is a Key Performance Indicator (KPI)?

Key performance indicators (KPIs) refer to a set of quantifiable measurements used to gauge a company's overall long-term performance.



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Standard Business KPI's

- Revenue Growth
- Revenue Per Client
- Profit Margin
- Client Retention Rate
- Customer Satisfaction

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Security Business Specific KPI's

- RMR
- Attrition (A/R)
- Contracts
- Response Times
- “Go Backs”
- Creation Cost

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Measuring business segments

	YTD Plan	YTD Actual
Monitoring Revenue	\$ -	\$ -
Monitoring Expense	\$ -	\$ -
Monitoring Profit/Loss	\$ -	\$ -
Service Revenue	\$ -	\$ -
Service Expense	\$ -	\$ -
Service Profit/Loss	\$ -	\$ -
Install Revenue	\$ -	\$ -
Install Expense	\$ -	\$ -
Installation Profit/Loss	\$ -	\$ -
Selling Expense	\$ -	\$ -
G&A	\$ -	\$ -
Interest Expense	\$ -	\$ -
Amortization/Depreciation	\$ -	\$ -
Tax Expense	\$ -	\$ -
Other	\$ -	\$ -
Net Income	\$ -	\$ -

$$\text{Monitoring Margin} = \frac{\text{Monitoring Profit}}{\text{Monitoring Revenue}}$$

$$\text{Mon \& Service Margin} = \frac{\text{Monitoring} + \text{Service Profit}}{\text{Monitoring} + \text{Service Revenue}}$$

$$\text{G\&A as \% of Revenue} = \frac{\text{G\&A}}{\text{Total Revenue}}$$

$$\text{Total Creation Costs} = \begin{aligned} &\text{Install Expense} + \\ &\text{Selling Expense} + \\ &\text{Capitalized Creation Expenses} + \\ &\text{G\&A Allocation (50\%)} + \\ &\text{Install Revenue (-)} \end{aligned}$$

$$\text{Creation Cost Multiple} = \frac{\text{Total Creation Costs}}{\text{New RMR Created}}$$

RMR Roll-Forward

RMR Roll-forward	12/31/xx	1/31/xx	2/28/xx	3/31/xx	4/30/xx	5/31/xx	6/30/xx	T6M
Beginning Gross RMR	\$ -	\$ 300,000	\$ 301,500	\$ 308,000	\$ 310,000	\$ 311,500	\$ 314,000	\$ 300,000
Add:								
New installs	-	4,000	4,000	4,000	4,000	4,000	4,000	24,000
Resigns	-	-	-	-	200	-	-	200
Bulk acquisitions	-	-	10,000	-	-	-	-	10,000
Replacement RMR	-	-	-	-	-	1,000	-	1,000
Rate increase	-	-	-	500	-	-	-	500
Less:								
Cancellations	-	(2,500)	(2,500)	(2,500)	(2,500)	(2,500)	(2,500)	(15,000)
RMR sold	-	-	(5,000)	-	-	-	-	(5,000)
Rate decreases	-	-	-	-	(200)	-	-	(200)
Ending Gross RMR	\$ 300,000	\$ 301,500	\$ 308,000	\$ 310,000	\$ 311,500	\$ 314,000	\$ 315,500	\$ 315,500
RMR >90 Days	9,000	9,045	9,240	9,300	9,345	9,420	9,500	
Performing RMR	\$ 291,000	\$ 292,455	\$ 298,760	\$ 300,700	\$ 302,155	\$ 304,580	\$ 306,000	\$ 300,775
T6M Change in >90's							(500)	
(X) T6M Total Net Cancels T6M	-	(2,500)	(2,500)	(2,500)	(2,500)	(1,500)	(3,000)	(14,500)
(Y) T6M Average Performing RMR								300,775
Attrition Rate T6M annualized (X/Y)	0.0%	-0.9%	-0.8%	-0.8%	-0.8%	-0.5%	-1.0%	-9.64%

New RMR activated during the month

RMR reactivated at a site with dormant equipment owned by the company

Replacement RMR related to a dealer program or acquisition

The portion of RMR related to a price concession

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¹Purchase price holdback, or financial recovery for a cancelled account previously acquired is not included in roll-forward, as it is not RMR, but it is accounted for in attrition calculation as an off set.

Attrition

RMR Roll-forward		12/31/xx	1/31/xx	2/28/xx	3/31/xx	4/30/xx	5/31/xx	6/30/xx	T6M
Beginning Gross RMR		\$ -	\$ 300,000	\$ 301,500	\$ 308,000	\$ 310,000	\$ 311,500	\$ 314,000	\$ 300,000
Add:									
	New installs	-	4,000	4,000	4,000	4,000	4,000	4,000	24,000
	Resigns	-	-	-	-	200	-	-	200
	Bulk acquisitions	-	-	10,000	-	-	-	-	10,000
	Replacement RMR	-	-	-	-	-	1,000	-	1,000
	Rate increase	-	-	-	500	-	-	-	500
Less:									
	Cancellations	-	(2,500)	(2,500)	(2,500)	(2,500)	(2,500)	(2,500)	(15,000)
	RMR sold	-	-	(5,000)	-	-	-	-	(5,000)
	Rate decreases	-	-	-	-	(200)	-	-	(200)
Ending Gross RMR		\$ 300,000	\$ 301,500	\$ 308,000	\$ 310,000	\$ 311,500	\$ 314,000	\$ 315,500	\$ 315,500
	RMR >90 Days	9,000	9,045	9,240	9,300	9,345	9,420	9,500	
Performing RMR		\$ 291,000	\$ 292,455	\$ 298,760	\$ 300,700	\$ 302,155	\$ 304,580	\$ 306,000	\$ 300,775
	T6M Change in >90's							(500)	
(X)	T6M Total Net Cancels T6M	-	(2,500)	(2,500)	(2,500)	(2,500)	(1,500)	(3,000)	(14,500)
(Y)	T6M Average Performing RMR								300,775
	Attrition Rate T6M annualized (X/Y)	0.0%	-0.9%	-0.8%	-0.8%	-0.8%	-0.5%	-1.0%	-9.64%

RMR whose related AR is ≥ 90 days past invoice date. Considered non-performing, or “Rate at Risk”

Change in RMR ≥ 90 days past invoice date, is considered + or - for attrition purposes.

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Creation Costs

	YTD	YTD
	Plan	Actual
Install Revenue	\$ -	\$ -
Install Expense	\$ -	\$ -
Installation Profit/Loss	\$ -	\$ -
Selling Expense	\$ -	\$ -
G&A	\$ -	\$ -

Direct expense including installation labor, installation management, subcontractor expense, equipment, parts, project management, design

Direct expense including sales salaries, sales commissions, sales management, marketing and advertising

All other indirect expenses or those that cannot reasonably be allocated to Monitoring, Service, Installation or Selling

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Creation Cost Adjustment Calculation

Creation Cost	(000's)	T6M
Calculation of Newly Generated RMR		
All new RMR generated		35.7
Less RMR from price increases		(0.5)
Less RMR acquired or replaced		(11.0)
Newly Generated RMR		24.2
Calculation of Net New RMR		
RMR end of period		315.5
Less RMR beginning of period		(300.0)
Less RMR from price increases		(0.5)
Less RMR acquired or replaced		(11.0)
Net New RMR		4.0
Calculation of Creation Cost Adjustment		
+ Installation, selling and marketing expense		348
+ Capitalized installation, selling & marketing costs		60
+ General and administrative allocation		50
- Installation revenue		(10)
- Recognized deferred installation revenue		-
Total Creation Costs (TCC)		448
Total Creation Cost Multiple (TCCM = TCC / New RMR)		18.5x
Creation Cost Adjustment (CCA = TCCM * Net New RMR)		74


Price Increase (CPI) unrelated to providing additional services is removed from Newly Generated RMR.

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Fixed Charge Coverage Ratio – cash flow measurement

Fixed Charge Coverage Ratio (000's)	T6M
Net income	\$ 3,700
+ Depreciation and amortization	\$ 1,200
+ Interest (income) expense	\$ 3,600
+ Income taxes expense	\$ 500
+ other approved adjustments	\$ -
EBITDA	9,000
Creation Cost Adjustment	
+ Total Creation Cost Multiple (up to 25x) * Net New RMR	\$ 74
- Capitalized installation, selling & marketing costs	\$ (60)
+ Recognized deferred installation revenue	\$ -
Adjusted EBITDA	9,014
+ Cash interest expense	\$ 3,600
+ Cash income taxes	\$ 500
+ Cash dividends or distributions	\$ -
+ Debt amortization(including capitalized leases)	\$ 300
+ Management fees (if applicable)	\$ -
+ Unfinanced capital expenditures	\$ 150
Fixed charges	\$ 4,550
FCC ratio (Adjusted EBITDA / Fixed Charges)	1.98

Creation cost calculation shown on prior slide



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How To Track KPI's

- **Establish a System for Collecting the Data** keep track of numbers each month or use automated accounting software that tracks your performance metrics.
- **Analyze and Interpret the data** establish benchmarks or targets for each KPI. This can help you understand how your business is performing relative to those benchmarks and identify areas of concern that need attention.
- **Review Regularly** To keep KPIs relevant over time, regularly review them and make changes where appropriate.

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11:15AM

MAIN STAGE

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Share More Stories, and
Live More Fulfilled!

