



**Monitronics International: Recipient of the
2008 North American Alarm Monitoring Service Provider of the Year Award**



Mitch Clarke (left), Vice President, Marketing & Market Development, Monitronics International, and Art Robbins (right), President, North America, Frost & Sullivan

"We accelerate growth."

2008 North American Alarm Monitoring Service Provider of the Year Award

Award Recipient: Monitronics International

Award Description

The Frost & Sullivan Award for Company of the Year is presented each year to the company that has demonstrated unparalleled excellence within its industry. The Award is based on numerous factors including the company's business development, competitive strategy, customer satisfaction, and leadership within a particular Frost & Sullivan Industry Research Group (IRG). This company is perceived to exhibit outstanding management and consistent growth. The company must offer high quality products and/or services and have positive social and economic impact on local and national communities. The company's customer service offerings and performance are expected to be of very high caliber. The company should have proven expertise in taking advantage of market changes by capturing and solidifying market presence, or through execution of innovative strategies within the existing competitive landscape.

Research Methodology

In order to select the Award recipient, analysts quantify several market factors for each market participant according to predetermined criteria, paying close attention to their combined operations efforts. This process includes interviews with all the market participants, customers, and suppliers, along with extensive secondary and technology research. The companies' efforts are then analyzed based on the number of new customers, new segments, and commitment to business expansion coupled with market growth. Industry participants are then ranked based on the predetermined measurement criteria. The Award recipient is the company that received the number one industry rank.

Measurement Criteria

In addition to the methodology described below, there are specific criteria used to determine final competitor rankings in this industry. The recipient of this Award has excelled based on one or more of the following criteria:

- Revenue and market-share growth
- Proof of success executing a restructuring strategy
- New market penetration (geographic, product, etc.)
- Marketing, promotion, and visibility of the company through various media
- Evidence of success through strategy innovation
- Technological innovation and leadership
- Increased name recognition
- Improvement in customer satisfaction and loyalty levels

Monitronics International is a privately owned alarm monitoring services company based in Dallas, Texas. It is owned by a consortium of private equity and other investors, principally ABRY Partners and its affiliates. It provides services to, and purchases alarm monitoring contracts from, dealers across the United States, and services the contracts in exchange for a monthly fee from the home or business owner. Monitronics is one of the largest alarm monitoring companies in the United States, and grew its revenues by 66% from 2002 to 2006, to reach \$185.6 million.

Dealer Relationship First

For a small, independent dealer, it is unlikely that they would be able to operate a central call station, given the relatively high fixed costs involved. By partnering with the right monitoring provider with a central call station, it can significantly augment its ability to add value to its product portfolio. One of the key aspects of Monitronics International's successful growth has been its commitment to bring value

to the independent dealers it does business with.

For example, Monitronics offers very fast payment to dealers, offering the full value of the contract within 30 days of signing up the account. This means that dealers who install and sign up a customer can get the value of their sale virtually immediately, making them more likely to work with Monitronics in the future. This also has the effect of making Monitronics a very attractive partner for a dealer. Monitronics International's growth during this decade is proof that it has the financial backing and payment process capability to back up its fast payment.

Dealers also have the option to use Monitronics' extensive portfolio of marketing tools in order to promote their services and expand their own brand. Monitronics offers everything from the standard yard signs and home stickers to marketing collateral and even customizable television advertisements. It is also important to note that while Monitronics has sales lead capability through an 800-number and through its Web site, all leads go to their dealer partners, again adding value through dealer marketing support.

Importance of Operational Excellence

Monitronics operates a 5-Diamond Certified, UL-listed monitoring station in Dallas, Texas. It is capable of servicing its entire nationwide account commitments. These certifications ensure that Monitronics alarm monitoring operations is one of the best in the industry. It also makes end users far more likely to defray the cost of their monitoring agreement through discounts in their homeowner's or business property insurance. This, in turn, makes it more likely that the company will be able to renew its monitoring contracts at the end of their term.

Monitronics focuses on purchasing virtually the full value of contracts from its dealer partners, typically a 3-year contract with an average monthly price of about \$32. In return, Monitronics gains the monthly revenue from the customer as well as the opportunity to extend the lifetime of the contract when it expires. One of the reasons that Monitronics has been able to do this is that the company is confident of its ability to service those contracts well, something that has borne out as it has grown. Ultimately, the value of its contracts lies in the ability to either offer added services to an existing contract or extend it at the end of its life.

This requires Monitronics to have easy access to cash in order to pay dealers, and it does. As a company, its cost of capital is very low, and it has not had any problem in attaining a significant credit facility at favorable rates.



Since Monitronics operates on a large scale with thousands of dealer partners, it insulates itself from a downturn in particular geographic markets or parts of a market. This insulates Monitronics from significant market risk, while simultaneously increasing its ability to reach many customers.

The alarm monitoring market is highly fragmented, with a few large providers and thousands of small

dealers. Monitronics' ability to tap into the large number of smaller dealers has made its cash flow from recurring monthly revenue remain strong even as the number and composition of its dealer network changes underfoot. This is only possible if the operational side of Monitronics International is extremely competent, and this ability is apparent from the company's growth.

Conclusion

Monitronics International's operational skill and its ability to attract and retain key dealer accounts are exceptional in the industry. For this reason, Frost & Sullivan is proud to present the 2008 North American Frost & Sullivan Award for Alarm Monitoring Service Provider of the Year to Monitronics International.



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