

Scout Security (ASX: SCT) provides modern, curated home security experiences with end-to-end solutions that are smart, simple and affordable.



ASX RELEASE

29 April 2022

Scout Security Quarterly Update and Appendix 4C

Home security provider Scout Security Ltd ((ASX: SCT), "Scout" or "the Company") is pleased to present its Appendix 4C — Quarterly Cash Flow Report for the period ending 31 March 2022 and update on business progress.

Highlights of the March Quarter

- **Cash receipts of AU\$491k in Q1 CY 2022, up 181% from Q1 CY 2021**
- **Over AU\$300k of annualised recurring revenue (ARR) added through US white label sales, up from AU\$80k in early December**
- **Recurring monthly revenue streams now total over AU\$1 million in ARR**
- **Telco rollout gathering momentum as sales force expands, with additional sales channels being activated across the quarter**
- **Won “Best-in-Class Partnership Award” with Windstream from the Broadband Multimedia Marketing Association (BMMA) for innovation and excellence**

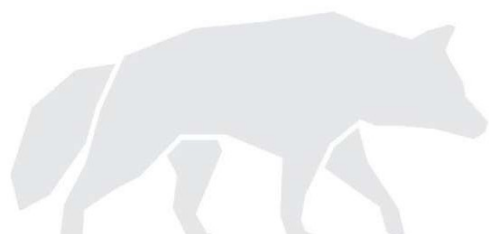
Financial Highlights

Scout generated cash receipts of AU\$491k¹ (US\$360k) in Q1 CY 2022, up approximately 181% year-on-year. The bulk of the inflows, AU\$308k (US\$226), came through recurring subscription revenue.

Hardware sales of US\$130k were as budgeted, but seasonally lower compared to the December quarter (US\$780k) during which we benefited from initial stocking by our telco partner and the holiday period pre-ordering.

Approximately AU\$15k (US\$11k) of payments from Windstream relating to services provided in March arrived after the end of Q1 CY 2022 are not included in this cashflow report. Operating costs were in line with management expectations.

¹ Reserve Bank of Australia, 28 April 2022: AUD/USD = 0.7096



Scout's recurring monthly revenue streams combined now provide an Annualised Recurring Revenue (ARR) of greater than AU\$1 million. Scout continues to target Recurring Monthly Revenue (RMR) alone to balance monthly cash burn by the end of CY 2022, with progress underpinned by growth in new customers added via Scout's telco partner(s).

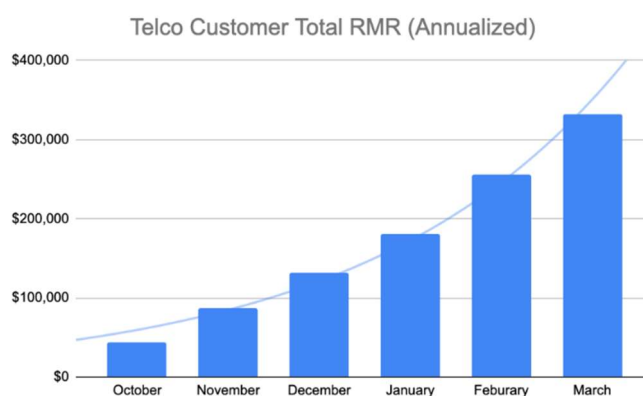
Although the Company had cash at bank of A\$104k as of 31 March 2022, a secured working capital facility of approximately AU\$560k (US\$400k) was completed on 14 April 2022, with which the business has secured its near-term cash requirements.

Operational Achievements

During the quarter, US sales of the **Scout-powered white labelled telco home security solution** continued to gain momentum. As of the end of March 2022, the recurring monthly revenue (RMR) from this customer base had increased over 275% since Scout's previous update in early December 2021. By the end of March, Scout has added more than A\$300k of annualised recurring revenue (ARR) through this channel, up from AU\$80k in early December. Importantly, sales are accelerating, increasing 59% month-on-month in February 2022 compared to January 2022 sales, and increasing 28% month-on-month in March 2022 compared to February 2022 sales.

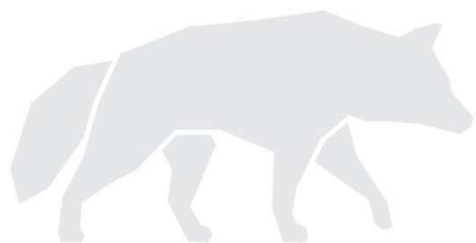
The AU\$8 (US\$6+) Average Revenue Per User (ARPU) achieved continues to be 33% higher than the top end of the modelled range presented to shareholders at the Company's AGM in December 2020.

Scout continued to grow this channel into the end of the quarter, with telco kits surpassing 1,000 kits sold in the month of March. The Company is working to maximise the scope and success rate of sales efforts into the telco channel with a view to penetrating more of the existing customer base. Hardware margins remain strong at 9.25%.



During the quarter, Scout's suppliers significantly reduced their hardware minimum order quantities. As a result, the team has been able to expand its pipeline of opportunities with new potential partners.

Scout continues to work on its Master Service Agreement (MSA) and Statement of Work (SOW) with Hyperion after entering a partnership agreement in December 2021.



In Peru, sales of Scout's white-labelled home security kit, Qido, through strategic partner and shareholder Prosegur are gradually increasing. Scout remains in close dialogue with Prosegur to accelerate growth across Prosegur territories.

In April, the Company was proud to have won a Partnership Award alongside Kinetic by Windstream from the Broadband Multimedia Marketing Association (BMMA). The award recognises the innovation and excellence in marketing demonstrated by Kinetic and Scout, a high-quality partnership which produced Kinetic Secure Home to provide residential customers with an affordable, cutting-edge, do-it-yourself home security platform and smart home suite.

Corporate

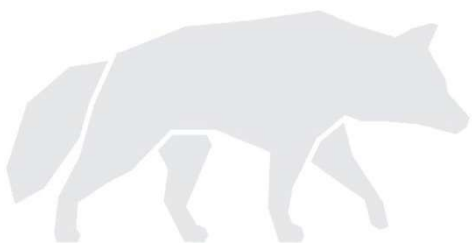
After the end of the quarter, Scout agreed terms for a secured working capital facility of US\$400k (AU\$536k). The funds were available in a single tranche and will allow Scout to continue to pursue growth opportunities across its lines of business. Refer to the ASX Announcement dated 14th April titled 'New Funding and Business Update'.

Scout will issue the lender with 5,400,000 options to acquire shares in the Company at a strike price of AU\$0.10 and an expiration date of three years from issuance.

On 2 March 2022 the Company hosted an investor webinar:

https://us02web.zoom.us/webinar/register/WN_Chtu3RrPT1S5bV6pPYzjbA

On 3 January 2022, Ryan McCall commenced as the Company's Chief Executive Officer, as detailed in the previous quarterly report. During the quarter, Scout also appointed Kevin Brennan as Chief Operating Officer. Mr Brennan has been engaged by the Company as a consultant since early 2020 to oversee sales initiatives and enhance pipeline strategy and supporting our operations team. From his career prior to Scout, Mr Brennan brings more than 25 years of global sales and operations experience, while working with some of the largest global manufacturers in Asia. Most recently as the founder and CEO of Ninety7 Inc., he developed and launched a lifestyle product brand that became the #1 selling accessory to Amazon's Echo Dot in 2017, forming partnerships with key OEM's such as Amazon and Google. Mr. Brenna brings the right balance of sales and operational experience to Scout at this exiting time.



Outlook

The Company has ambitious goals for the remainder of CY2022, expecting further growth in sales through Scout's US telecommunications partner and progress on its pipeline of potential white label partners.

It is a goal of the Company for RMR alone to balance monthly cash burn and it expects to achieve this in CY 2022. The Company currently has enough orders for cameras and kits from its white label partners, that if all those units were sold into the market, the resulting boost to recurring revenue would allow Scout to achieve cash flow breakeven on an RMR-only basis.

The market for app-based security systems remains robust, with greater than 50% of all home security systems being self-installed, supporting the growth outlook for Scout.

Statements pursuant to ASX Listing Rule 4.7C.1

Payments to related parties and their associates during the quarter totalled AU\$71k, AU\$45k of which relates to executive remuneration, and AU\$26k for non-executive director fees.

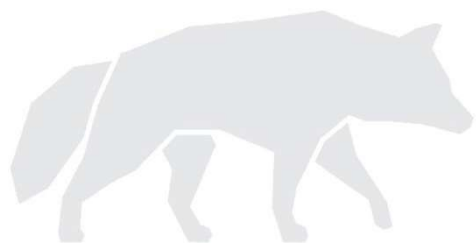
Quarterly expenditure was in line with internal budgets and was focused on the following areas:

- In reference to item 1.2(f) of the Appendix 4C, administration and corporate costs totaling AU\$226k were lower than prior quarters due to a close focus on working capital management.
- In reference to item 1.2(e) of the Appendix 4C, staff costs totaling AU\$558k were marginally higher in the quarter due to the appointment of new personnel.
- In reference to item 1.2(b) of the Appendix 4C, product manufacturing and operating costs totaling AU\$386k were lower in the quarter due to a decrease in hardware deliveries to customers during the seasonally lower post-holiday period.

The Company retains sufficient funding to carry out its activities over the coming quarters based on current cashflow funding initiatives as described elsewhere in this report.

An Appendix 4C follows.

This ASX release has been authorised by CEO Ryan McCall and Executive Director Dan Roberts of Scout Security Ltd.



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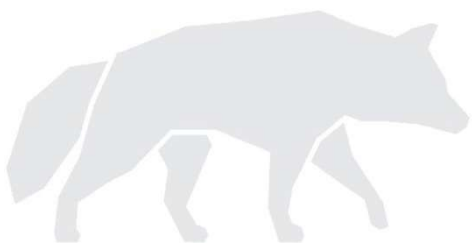
tim@nwrcommunications.com.au

About Scout Security Limited

Scout Security Limited (ASX: SCT) sells the Scout Alarm, a self-installed, wireless home security system that is making security more modern, open and affordable. Scout was recognized as one of Forbes "Best Home Security Companies of 2022" and was named "Best for Custom Notifications and Alarms" in 2021 by US News and World Report.

Scout's design-centric offering gives users complete flexibility around connected home security, allowing the system to integrate with other best-in-class IoT devices and offering flexible monitoring options. Scout is focused on being the industry's leading white label provider of DIY home security and IoT solutions.

Scout is an official partner of Amazon Alexa and Google's Assistant. Scout is also an Amazon Alexa Fund portfolio company.



Appendix 4C

Quarterly cash flow report for entities subject to Listing Rule 4.7B

Name of entity

SCOUT SECURITY LIMITED (ASX: SCT)

ABN

13 615 321 189

Quarter ended (Current quarter)

31 March 2022

Consolidated statement of cash flows

	Current Quarter \$A'000	Year to date (9 Months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	491	1,855
1.2 Payments for:		
(a) research and development	-	-
(b) product manufacturing and operating costs	(386)	(1,893)
(c) advertising and marketing	(10)	(67)
(d) leased assets	-	-
(e) staff costs	(558)	(1,529)
(f) administration and corporate costs	(226)	(1,282)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	51	53
1.5 Interest and other costs of finance paid	-	(3)
1.6 Income taxes (paid) / refunded	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other: (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	(638)	(2,866)
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	-	-
(d) investments	-	-
(e) intellectual property	-	-
(f) other non-current assets	-	-
2.2 Proceeds from disposal of:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	-	-
(d) investments	-	-
(e) intellectual property	-	-
(f) other non-current assets	-	-
2.3 Cash flows from loans to other entities	-	-
2.4 Dividends received (see note 3)	-	-
2.5 Other (provide details if material)	-	-
2.6 Net cash from / (used in) investing activities	-	-

Consolidated statement of cash flows	Current Quarter \$A'000	Year to date (9 Months) \$A'000
3. Cash flows from financing activities		
3.1 Proceeds from issues of equity securities (excluding convertible debt securities)	200	200
3.2 Proceeds from issue of convertible debt securities	450	875
3.3 Proceeds from exercise of options	-	-
3.4 Transaction costs related to issues of equity securities or convertible debt securities	(13)	(13)
3.5 Proceeds from borrowings	-	-
3.6 Repayment of borrowings	-	-
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	637	1,062
4. Net increase / (decrease) in cash and cash equivalents for the period		
4.1 Cash and cash equivalents at beginning of period	129	1,903
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(638)	(2,866)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	-	-
4.4 Net cash from / (used in) financing activities (item 3.10 above)	637	1,062
4.5 Effect of movement in exchange rates on cash held	(24)	5
4.6 Cash and cash equivalents at end of period	104	104
5. Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1 Bank balances	104	129
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)	104	129
6. Payments to related parties of the entity and their associates	Current quarter \$A'000	
6.1 Aggregate amount of payments to related parties and their associates included in item 1	71	
6.2 Aggregate amount of payments to related parties and their associates included in item 2	-	
Note: if any amounts are shown in items 6.1 and 6.2 your quarterly activity report must include a description of, and an explanation for, such payments		

7. Financing facilities	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
Note: the term "facility" includes all forms of financing arrangements available to the entity. Add notes as necessary for an understanding of the sources of finance available to the entity.		
7.1 Loan facilities	-	-
7.2 Credit standby arrangements	-	-
7.3 Other (please specify):	2,450	1,612
7.4 Total financing facilities	2,450	1,612

7.5 **Unused financing facilities available at quarter end** 838

7.6 Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.

On 16 July 2020 the company entered into a convertible note deed to raise up to \$2M (Refer ASX announcement dated 16-Jul-20). A total drawdown of \$1,162,500 has been completed. The term matures on 31 December 2023, interest of 5% p.a. is payable on drawn funds, accruing daily and paid quarterly. To date there have been conversions to ordinary fully paid shares totaling \$37,500.

During the March quarter, the Company secured a new Convertible Note Facility to raise \$450,000 on the same terms as the existing facility.

8. Estimated cash available for future operating activities	\$A'000
8.1 Net cash from / (used in) operating activities (Item 1.9)	(638)
8.2 Cash and cash equivalents at quarter end (Item 4.6)	104
8.3 Unused finance facilities available at quarter end (Item 7.5)	838
8.4 Total available funding (Item 8.2 + Item 8.3)	942
8.5 Estimated quarters of funding available (Item 8.4 divided by Item 8.1)	1.5

Note: if the entity has reported positive net operating cash flows in item 1.9, answer item 8.5 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.5.

8.6 If Item 8.5 is less than 2 quarters, please provide answers to the following questions:

1. *Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?*

Answer:

Yes

2. *Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?*

Answer:

Yes - refer to the ASX Announcement dated 14th April titled 'New Funding and Business Update', where US\$400k (AUD536k) has been received by the Company.

3. *Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?*

Answer:

Yes

Note: where item 8.5 is less than 2 quarters, all of questions 8.6.1, 8.6.2 and 8.6.3 above must be answered.

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.

Date: Friday, 29 April 2022

Authorised by: Ryan McCall CEO & Dan Roberts Executive Director
(Name of body or officer authorising release – see note 4)

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow 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 cash flow 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.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – e.g. Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.