

**ASX RELEASE**

29 January 2021

## Scout Security December 2020 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 December 2020 and an update on business progress.

### The Quarter's highlights

During the quarter to 31 December 2020, Scout:

- **Signed a Master Services Agreement with Windstream to launch smart home security products and services under Windstream's 'Kinetic Secure Home' brand in Q1 CY21**
  - Windstream is a leading telecommunication company that generates more than US\$5 billion annually and services approximately 1.4m subscribers
- **Received the first purchase order of Scout hardware from white label partner Prosegur and finalised product customisation work plans ahead of the first country launch in early CY21 (further detail in Business Update below)**
- **Completed a \$3 million placement at \$0.135/share, an 8% premium to the 30-day VWAP, \$202k through a Share Purchase Plan with an additional ~\$298k available subject to shareholder approval**

### Business Update

Scout Security CEO, Dan Roberts, said:

*"The December quarter was one of intense execution, building towards market launches with multi-billion-dollar partners on two different continents. Ahead of this, for multiple quarters in 2020, we received substantial prepaid development fees that bolstered revenue. Once received, the team gets to the business of executing.*

*"Development fees are a leading indicator of what's to come in our business but, in-and-of-themselves, are not the end goal. While revenue in the December quarter did not match earlier*



*quarters that included large development fees, this quarter was an important step in transitioning from development fee revenue to product and service revenue.*

*“As a driving factor in that transition, we anticipated and reported that Prosegur would launch in CY20. While we were close to hitting that mark, global supply chain considerations dictated that we move the launch slightly. Within the coming weeks, we expect Prosegur will ‘go public’ with the program, identify their first target market and release the offering, which will allow us to further update the market. Whilst we were disappointed not to meet the CY20 deadline, we are comfortable that launching the program a couple of weeks later with the right momentum will serve the company best in the long term.*

*“The launch of Windstream’s Kinetic is on track for this quarter and we look forward to updating the market soon with additional program details. Combined with the Prosegur initiative, we believe that multiple partners launches in one quarter will start to demonstrate the scale potential of the white label model.*

*“To meet the challenge of servicing our existing client base and expanding our sales pipeline, we are actively hiring Full-Stack Engineers and for a Sales Director role. These team members will help both with implementation of current programs and the expansion of the white label business overall.*

*“The December quarter was intense. We look forward to reaping the rewards in the quarters to come.”*

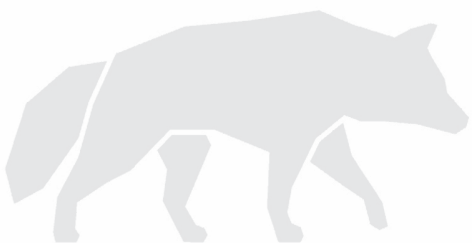
In terms of financial performance, given the emphasis moved from securing white label partners to implementing for Scout’s new partners, the Company’s cash receipts in the December quarter were up on the prior comparable period (pcp) at A\$0.2 million (US\$0.14 million).

The Company’s cash balance at 31 December 2020 was AU\$2.28 million which included proceeds from a successful \$3 million placement at \$0.135/share, an 8% premium to the 30-day VWAP. Funds of ~\$202k from a Share Purchase Plan were received in early January 2021 from the share registry, being for shares issued under the plan in December 2020. A further ~\$298k is subject to shareholder approval at a meeting to be held on 1 February.

## Outlook

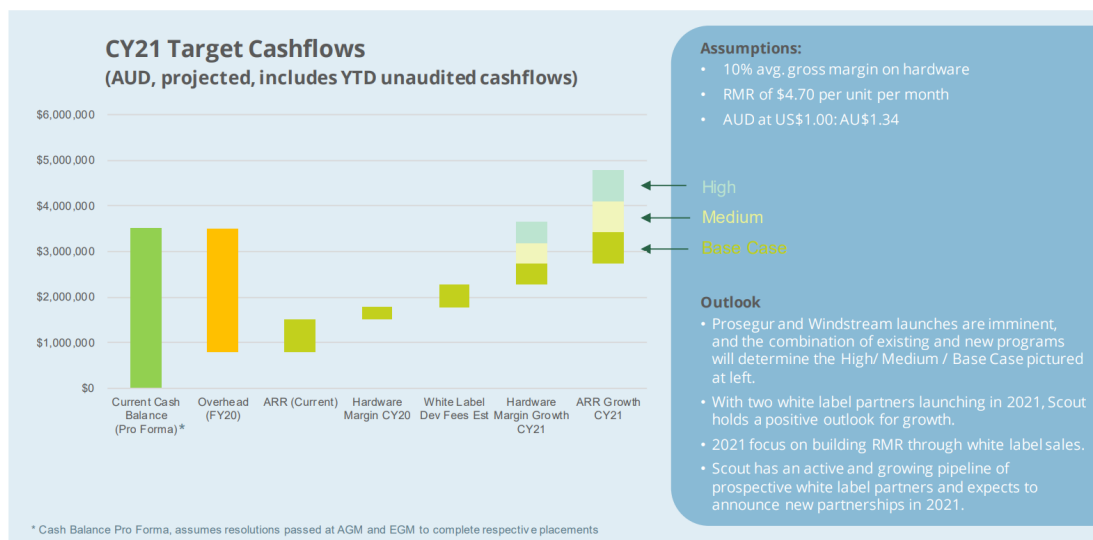
Scout holds a positive outlook for growth in CY21, having now successfully entered into partnerships with several large multinational partners. The Company’s model of a delivered DIY solution remains ideally suited to the continued shift toward online retail, which the COVID-19 pandemic’s impact has accelerated in the US and international markets.

The funds raised through the recent placement and SPP ensure that the Scout team can meet the demands of servicing the existing and targeted potential customers, continuing to translate development work into revenue scale.



The Company reiterates its view of Scout's path to positive cashflow, illustrated in the following chart taken from the investor presentation released to the ASX on 23 December 2019.

## Path to Positive Cashflow



## Investor webinar presentation

Scout held an Investor Webinar Presentation on 13 November 2020. A recording of the webinar can be viewed by clicking on the link in the Company announcement released to the ASX on 12 November 2020.

## Payments to related parties and their associates

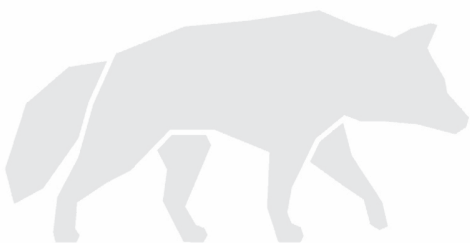
Payments for executive director fees for the quarter totalled \$69k which relates to executive remuneration, and \$21k for non-executive director fees.

An Appendix 4C follows.

This ASX release has been authorised by the Board of Directors of Scout Security Ltd.

## For more information, please contact:

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**Tim Dohrmann**

**Investor and Media Enquiries**

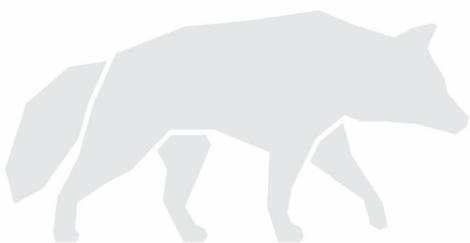
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### **About Scout Security Limited**

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 named “Best App-Based Security System” in 2019 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 an official partner of Amazon Alexa, Google's Assistant and Samsung SmartThings. 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

**ABN**

13 615 321 1189

**Quarter ended ("current quarter")**

31 December 2020

<b>Consolidated statement of cash flows</b>	<b>Current quarter \$A'000</b>	<b>Year to date (6 months) \$A'000</b>
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	196	1,095
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating costs	(178)	(651)
(c) advertising and marketing	(9)	(12)
(d) leased assets	-	-
(e) staff costs	(445)	(780)
(f) administration and corporate costs	(381)	(875)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	-
1.5 Interest and other costs of finance paid	(9)	(17)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other (provide details if material)	-	-
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(826)</b>	<b>(1,240)</b>
<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	-	-
(d) investments	-	-
(e) intellectual property	-	-
(f) other non-current assets	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
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)	-	-
<b>2.6</b>	<b>Net cash from / (used in) investing activities</b>	<b>-</b>	<b>-</b>

<b>3.</b>	<b>Cash flows from financing activities</b>		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	3,000	3,000
3.2	Proceeds from issue of convertible debt securities	19	750
3.3	Proceeds from exercise of options	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	(220)	(297)
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)	-	-
<b>3.10</b>	<b>Net cash from / (used in) financing activities</b>	<b>2,799</b>	<b>3,453</b>

<b>4.</b>	<b>Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1	Cash and cash equivalents at beginning of period	289	62
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(826)	(1,240)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	2,799	3,453
4.5	Effect of movement in exchange rates on cash held	18	5
4.6	<b>Cash and cash equivalents at end of period</b>	<b>2,280</b>	<b>2,280</b>

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	2,280	289
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>2,280</b>	<b>289</b>

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	90
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-
<i>Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments.</i>		

<b>7.</b>	<b>Financing facilities</b> <i>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.</i>	<b>Total facility amount at quarter end \$A'000</b>	<b>Amount drawn at quarter end \$A'000</b>
7.1	Loan facilities	-	-
7.2	Credit standby arrangements	-	-
7.3	Other (please specify) Convertible Note facility	1,963	713
7.4	<b>Total financing facilities</b>	-	-
7.5	<b>Unused financing facilities available at quarter end</b>		1,250
7.6	<p>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.</p> <p>On 16 July 2020 the company entered into a convertible note deed to raise up to \$2M (Refer ASX announcement dated 16-Jul-20). An initial drawdown of \$750,000 has been completed. The term is 2 years, interest of 5% p.a. is payable on drawn funds, accruing daily and paid quarterly. During the quarter there were conversions to ordinary fully paid shares totalling \$37,500.</p>		

<b>8.</b>	<b>Estimated cash available for future operating activities</b>	<b>\$A'000</b>
8.1	Net cash from / (used in) operating activities (item 1.9)	(826)
8.2	Cash and cash equivalents at quarter end (item 4.6)	2,280
8.3	Unused finance facilities available at quarter end (item 7.5)	1,250
8.4	Total available funding (item 8.2 + item 8.3)	3,530
8.5	<b>Estimated quarters of funding available (item 8.4 divided by item 8.1)</b>	4.27
	<i>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.</i>	
8.6	If item 8.5 is less than 2 quarters, please provide answers to the following questions:	
8.6.1	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: N/A	
8.6.2	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: N/A	



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

Answer: N/A

*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: 29 January 2021

Authorised by: The Board  
(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 – eg 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.