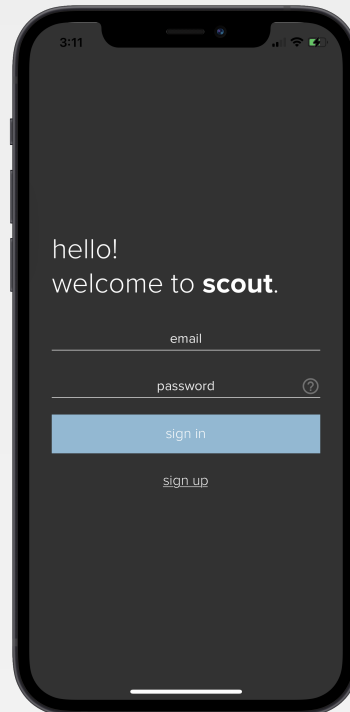


Scout Security (ASX: SCT)

INVESTOR UPDATE

March 2022



WWW.SCOUTALARM.COM
WWW.POWEREDBYSCOUT.COM

scout



PROTECTED AND CONNECTED

Home Security. Simplified.

Scout Security Ltd (ASX: SCT) is an app-based, DIY home security company making security more modern, open and affordable.

Based in Chicago and ASX-listed since 2017, Scout has built a powerful software and service platform validated by white label partnerships spanning multiple industries and markets.

OUR VALUE PROPOSITION

THE MARKET

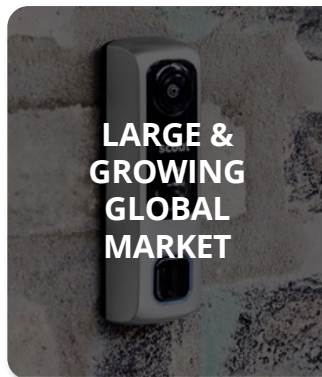
REVENUE MODEL

THE PROBLEM

THE SOLUTION

TRACTION

Our Value Proposition



\$US3.3 billion
19.6% CAGR ⁽¹⁾

GMD Research estimates that the global DIY Home Security market will reach over \$US11 billion by 2027.

(1) GMD Research



Key Partners
STRONG PIPELINE

Partnerships with major traditional security & telecom providers have opened up both US and international distribution, with more to come.



Monthly Plans
+ HARDWARE & DEVELOPMENT FEES

Monitoring plans + additional services, such as camera cloud storage.



Amazon Partner
HIGHLY RATED

Launch partner for Amazon Alexa Guard and Alexa Guard Plus. Integrated with all major IOT Platforms.



"Best App-Based Security System"
- US News & World Report 2019

The Problem

Securing a home and family is a universal need, but traditional home security is out of reach for many due to cost and life circumstance.



Traditional security systems are not affordable.



They utilize commodity hardware that is not "smart."



They lack flexibility and operate in walled gardens.



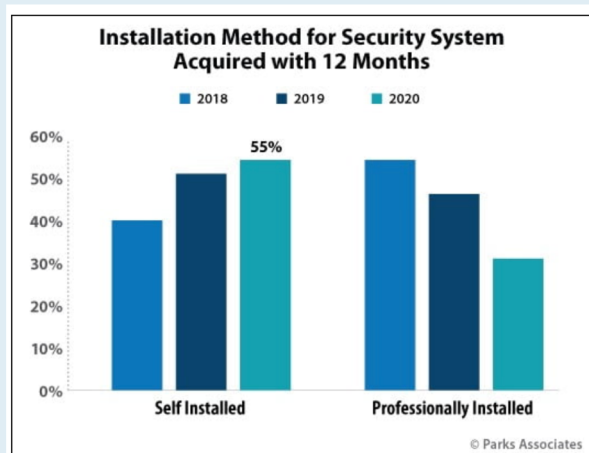
Traditional systems do not accommodate renters, nor other unique living circumstances.

**One of Forbes Best Home Security
Companies of 2022**



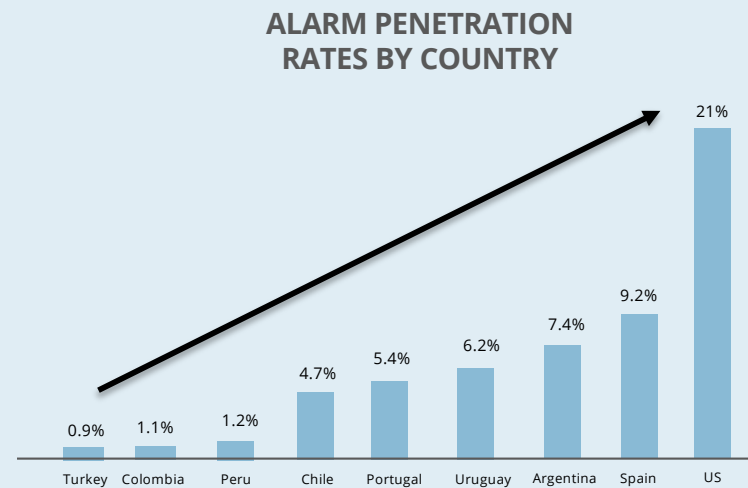
SCOUT SECURITY (ASX: SCT) | 3

The Market



DIY installation has risen in the past two years, and this trend is expected to continue in the future.

IMAGE COURTESY OF PARKS ASSOCIATES



The world market is under-penetrated for alarms. US leads with only 20% penetration.

“Sales and marketing are the main drivers of penetration” - Prosegur

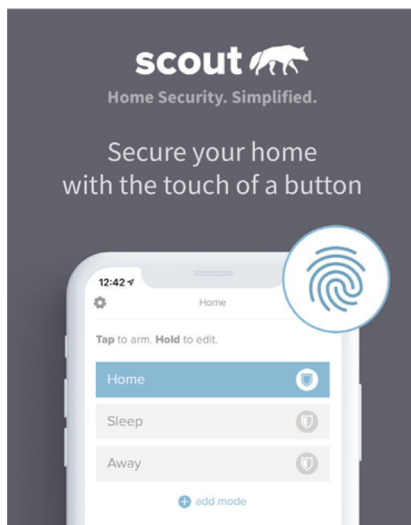


The Solution

We provide the necessary development, equipment, and support required to launch successful self-install smart home solutions.

- Turnkey solution for launching under your brand
- Leverage the Scout software platform
- Faster and less capital intensive way to go to market

Software Platform



Hardware and IoT



Recurring Revenue



- 24/7 Monitoring
- Video Cloud Storage
- Partner service offerings

Revenue Model

Scout has three key sources of revenue:



Development fees from white label partners in advance of launch.



Upfront hardware sales.



Recurring subscription fees.

SCOUT IS BUILDING RECURRING SUBSCRIPTION REVENUE, FUNDED BY DEVELOPMENT & HARDWARE.



SCOUT SELLS THROUGH BOTH BRANDED AND WHITE LABEL CHANNELS.

White label partners offer branding, global distribution and significant opportunities to penetrate loyal customer bases.

- Prosegur Security has >500,000 alarm systems installed worldwide.
- Windstream has 1.4m household internet subscribers in the US
- Zego by PayLease processes payments for 12m+ residential units across the US.

The Prize: Substantial Revenue Opportunity

Calculating Scout's potentially addressable margin and revenue pool:

- **Target 10% of applicable customer base:** Assume, for the purpose of the example, the customer has 1 million customers: 10% penetration would provide 100,000 additional Scout customers.
- **Range of hardware on offer:** Scout offers a mix of security kits spanning end-to-end security and camera-focused solutions. Scout's margins are approximately 10% of sales.
- **Net-60 Day Terms:** Scout's terms are Net-60 which means it matches hardware supplier payments with customer receipts so does not need to use working capital.
- **Monthly plans offered to suit hardware:** Scout's net Recurring Monthly Revenue (RMR) from entry-level sales is expected to be circa USD\$1.00, ranging up to USD\$4.00–5.00 on full service monitored systems. Margins on RMR range 40-70%.
- **Substantial revenue pool available:** Allowing for several assumptions made in calculating the potential revenue pool (see table at right), Scout is excited by the opportunity to chase these targets. The 'one-off' margin from hardware is substantial, as is the compounding effect of RMR, the power of which is demonstrated on the next slide.
- **LATAM Expansion:** In partnership with Prosegur, Scout has launched in Peru under the brand Qido, with plans to launch in a second international country in 2022.
- **White label partners are generally seeking similar scale.**

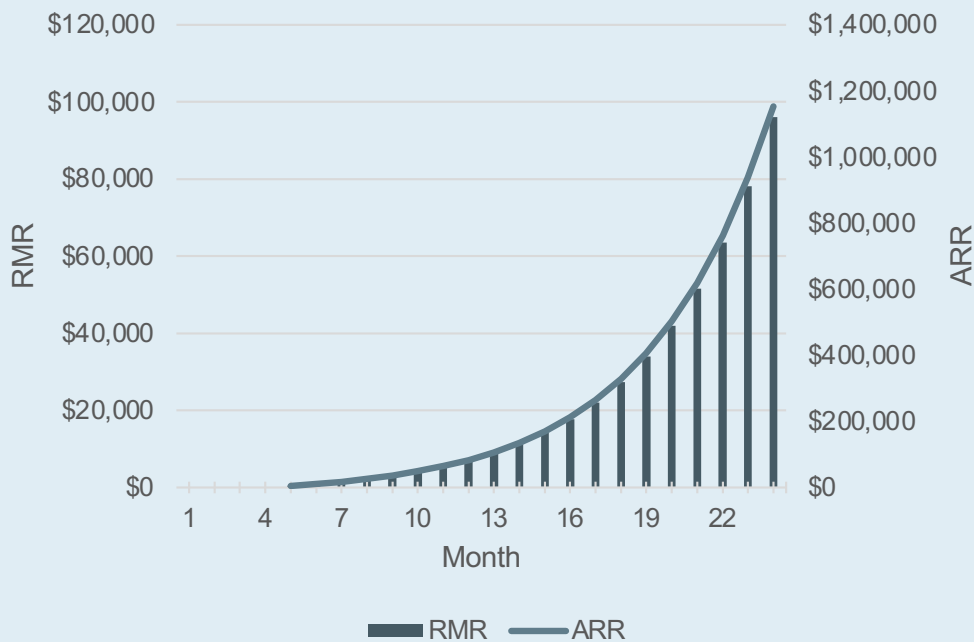
Simplified, single customer, worked example *

Key Assumptions			
Assumed Partner's Customer Base	(a)		1,000,000
Scout's Target Penetration	(b)	10%	100,000
Range of Hardware			
		Entry Level	Full Service
Average Hardware Sale	(c)	\$80	\$470
Margin on Hardware	(d)	10%	10%
Scout Margin on Hardware	(c)x(d)=(e)	\$8	\$47
RMR per Customer	(f)	\$1.35	\$6.10
Hardware Margin Pool	(b)x(e)	\$800,000	\$4,700,000
Potential RMR	(b)x(f)=(g)	\$135,000	\$610,000
Potential Annualised Recurring Revenue (ARR)	(g)x12	\$1,620,000	\$6,100,000

* All figures in AUD (US\$1.00: AU\$1.34): and approximate

The Prize: The Compound Effect of RMR

Simplified, single customer example



Assumptions:

- Ramp up of installs at 20% growth rate per month
- RMR of \$4.70 * per unit per month

In this single customer example, at Month 24, note:

- Total installed base ~50,000 (half the potential of example demonstrated on the previous page)
- RMR is ~\$100k
- Annualised RMR is ~\$1.2m

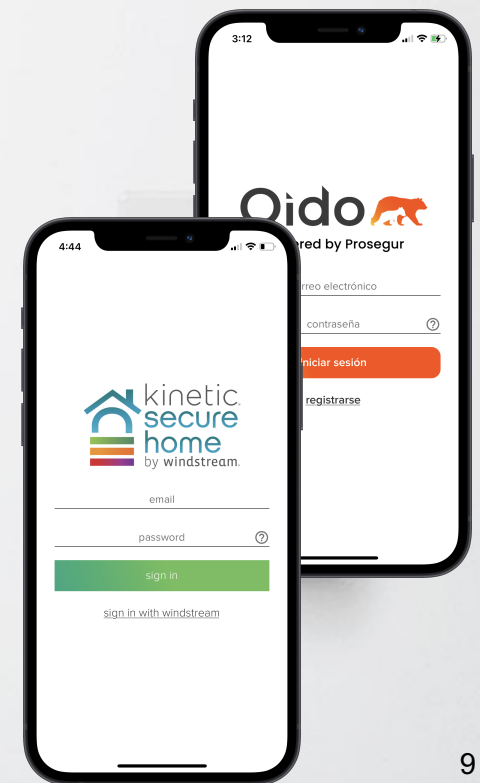
** All figures in AUD (US\$1.00: AU\$1.34); and approximate*

Progress:

- Actual average RMR of \$8.00 per unit per month
- Growth rate 59% MoM Jan to Feb

Scaling in Progress

- US telco Windstream demonstrating value proposition of Scout platform
 - Since Sept-21 launch, Scout has added **>A\$200k of annualized recurring revenue** through this channel
 - Attach Rate has remained at ~15% vs 10% pre-launch projections
 - **ARPU average A\$8 vs A\$4.70 pre-launch projections**
 - Targeting 10%+ of its 1.4 million existing customers over 24 months
 - Forecasting RMR via kits sold by the end of 2022 to balance monthly cash burn, achieving **cashflow break-even**, regardless of hardware and NRE.
- **New partnership agreement** signed Dec. '21 with Hyperion Partners LLC, a master agent for T-Mobile and other major carriers in the USA.
- Prosegur continues to develop Peru sales and **poised for 2nd international launch**. Product and platform ready, awaiting Prosegur comfort with market timing amidst COVID.



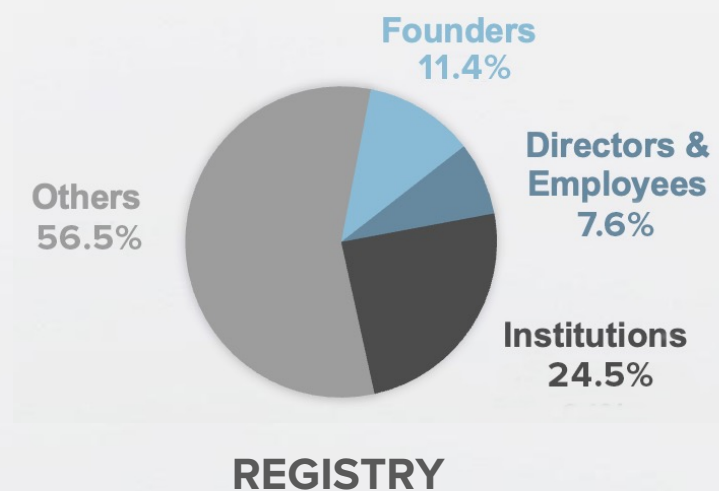
Scout-Powered

- Proven, multi-pronged, recurring, high-margin SaaS revenue model
- Lower MOQ semi-custom camera program to smaller ISPs
- Telco and ISP peers see our partnership with Windstream, giving us an advantage in all other negotiations
- Multiple potential partners at varying stages in the sales cycle
- Next generation WiFi sensing capabilities that integrate security



Board-led Share Placement at Significant Premium

- **Board of directors to lead \$200k share placement at 8.75c share:**
 - Price was **3x the last traded price on the ASX**
 - **All SCT directors are participating**
 - Placement received shareholder approval at EGM held February 18th, 2022
- Pro-forma of 2.29m shares will be issued
 - Total shares on issue will increase to 153.19m
 - At the placement price, Scout's market cap would be \$13.4m.



Existing Note Term Extended & New \$450k note

Background

- In July 2020, Scout secured funding via a \$2m convertible note facility
- Today, \$1.14m of Convertible Notes are outstanding
- Interest rate of 5% pa and convert at \$0.07 a share, or a 20% discount to any equity issuance with a \$0.03 floor price
- The notes had a term of two years from issue to July 2022

Existing Note Term Extended (approved during EGM on 18/2/2022)

- **Noteholders representing \$1.075m have agreed to extend the term** of their notes to December-23. A balance of \$63k will remain due in July 2022.

\$450k New Note to be issued (approved during EGM on 18/2/2022)

- Terms of the New Note materially the same as the existing note, with Maturity Date of 31-Dec-2023.
- Interest rate and conversion terms as above



Corporate Snapshot

Share Price (28/2/2022)	\$0.43
Shares on issue (m)	150.90
Placement to Directors (m)	<u>2.29</u>
Total Shares Issue (m)	153.19
M.Cap at Last Traded Price (\$m)	\$6.58
Shares if Issued converted notes convert at 7c (m)	16.25
Shares if New Notes convert at 7c ⁽¹⁾ (m)	6.43
7c options (m) expiring July 2024	26.30
7c options (m) attaching to New Note (m) expiring Jan 2026 ⁽¹⁾	0.90
13.5c Options expiring Dec. 2024 (m)	1.43
Performance shares and rights (m)	<u>4.70</u>
Fully Diluted shares (m)	209.20

KEY SHAREHOLDERS

Shareholders	% of Issued Capital
EGP Capital	9.42%
Prosegur	7.08%
Daniel B Roberts (co-founder)	6.47%
David Shapiro (co-founder)	5.17%
Altor Capital	5.12%
Amazon.com	1.78%



EXECUTIVE DIRECTOR

Dan Roberts

Co-founder, Designer
MDes, IIT Inst. Of Design
Sandbox, Maya Design



NON-EXECUTIVE DIRECTOR

Martin Pretty

CFA, BA (Hons) Unimelb, GradDipAppFin
Finsia, GAICD
Experienced investment manager and ASX
company director



NON-EXECUTIVE DIRECTOR

Dave Shapiro

Co-Founder, Developer
BSA, Miami of Ohio
Sandbox, JPMorgan



NON-EXECUTIVE DIRECTOR

Anthony Brown

GAICD
Experienced electronic security industry leader



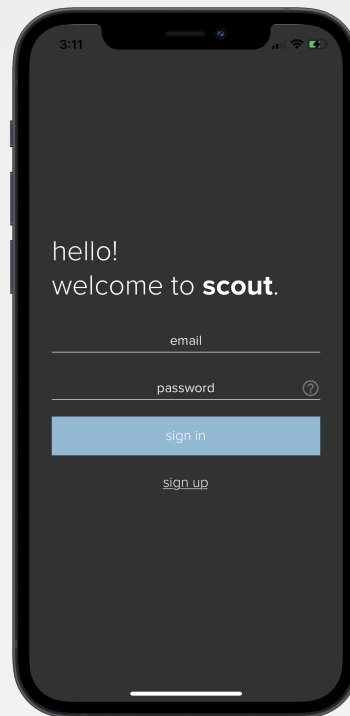
NON-EXECUTIVE DIRECTOR

Solomon Majteles

LLB WA, FAICD
Commercial lawyer and experienced ASX company
director

Scout Security (ASX: SCT)

CONTACT US



Ryan McCall
Chief Executive Officer
Investors@scoutalarm.com
www.scoutalarm.com

Tim Dohrmann
Investor and Media Enquiries
+61 468 420 846
tim@nwrcommunications.com.au



Glossary

- ARPU – average revenue per user
- CAGR – compound annual growth rate
- DIY – do it yourself
- IoT – internet of things
- LATAM – Latin America
- MOQ – minimum order quantity
- NRE – non-recurring engineering
- RMR – recurring monthly revenue

