

Scout Security (ASX: SCT) is a white label security-as-a-service platform and product suite powering recurring revenue for some of the largest security, internet service and telco providers in the world.



## ASX RELEASE

29 July 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 30 June 2022 and update on business progress.

## Highlights of the June Quarter

- **Cash inflows of AU\$815k in Q2 CY 2022**
- **Over AU\$300k of annualised recurring revenue (ARR) added through US white label sales, with recurring monthly revenue streams now totalling over AU\$1.3 million in ARR**
- **Telco rollout continues to gather momentum with additional sales channels activating and new products set to launch**
- **Secured AU\$350k via receivables financing, participants including CEO Ryan McCall and Executive Director Dan Roberts, along with a US\$400k (~A\$536k) working capital facility via a single US investor**
- **Expanded executive team by hiring of COO Kevin Brennan and VP of Accounting Hilari Smith**

## Financial Highlights

Scout generated quarterly cash inflows from operations of AU\$815k<sup>1</sup> (US\$579k). Inflows across the quarter were roughly equally weighted across recurring monthly revenue, hardware sales and receivables financing proceeds.

Hardware sales of US\$232k were higher than expected due to a shipment for the Company's white label partner, representing growth of 80% compared to the March quarter (US\$130k). Operating costs were in line with management expectations.

Scout's recurring monthly revenue streams combined now provide an Annualised Recurring Revenue (ARR) of greater than AU\$1.3million. Scout continues to target Recurring Monthly

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



Revenue (RMR) alone to balance monthly cash burn, with progress underpinned by growth in new customers added via Scout's telco partner(s).

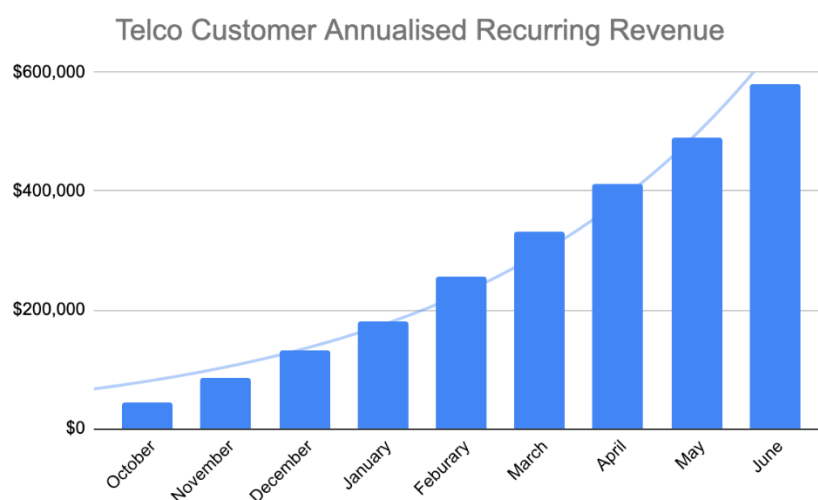
The Company had cash at bank of ~A\$200k as of 30 June 2022, as management paced cash needs of the business with receivables financing and announced working capital facilities across the quarter. A secured working capital facility of approximately AU\$560k (US\$400k) was completed on 14 April 2022, with flexibility in the facility contract to increase from US\$400k should management deem appropriate. A receivables purchase by Scout executives was also completed on 30 May 2022 of approximately AU\$350k (US\$250k), with which the business secured its near-term cash requirements.

## Operational Achievements

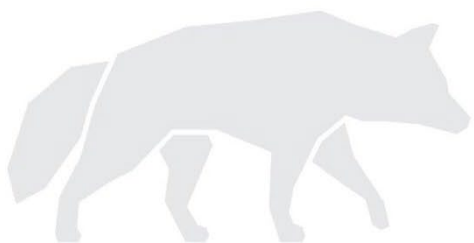
During the quarter, US sales of the Scout-powered white labelled telco home security solution continued to gain momentum. As of the end of June 2022, the RMR from this customer base had increased over 45% since Scout's previous update in April 2022. Within the quarter ending of June 30, Scout has added more than A\$300k of annualised recurring revenue (ARR) through this channel, totalling over A\$1.3M in ARR.

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 kit sales sustaining at 1,000 per month. 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 its telco partner's existing customer base via direct sales and the launch of an e-commerce site. Hardware margins remain strong at 9.25%.



The Company's US telco partner continues to roll out the Scout-powered solution more broadly throughout its large salesforce as it activates new channels in line with the sales and marketing plan Scout announced to the ASX on 31 August 2021.



The partner's plans to stimulate growth in monthly subscriber additions in the second half of CY22 include the following:

- The launch and promotion of an eCommerce portal empowering customers to purchase Scout-powered security products and services directly online
- The launch and promotion of Scout's video doorbell product
- Delivering product optimisations, targeting additional subsets of the partner's customer base, which Scout estimates would expand the total addressable market (TAM) by 30%

During the quarter, Scout completed its Master Service Agreement (MSA) with Hyperion after entering a partnership agreement in December 2021, and continues to work on its Statement of Work (SoW) for Hyperion to act as both a reseller and referral partner into its small-to-medium enterprise (SME) and telco customer bases.

## Corporate

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

On 30 May 2022, the Company entered into an agreement with an investor group which includes key Scout management personnel and directors of the Company, providing immediate access to \$250k USD (~\$350k AUD) in receivables financing. For more information, please refer to the ASX Announcement dated 30th May titled '*Scout Gains \$250k USD (~\$350k AUD) in Receivables Financing*'.

The receivables being purchased relate to Employee Retention Credits that Scout earned through its eligibility for US government support pursuant to the Coronavirus Aid, Relief and Economic Security Act (the "CARES Act").

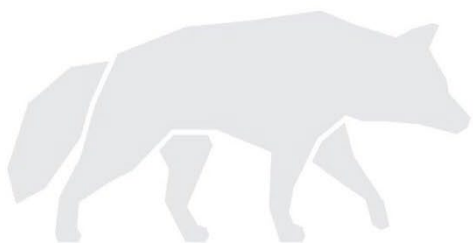
After the end of the period, the Company announced the appointment of Kim Clark as Company Secretary, replacing Stuart Usher in the role, effective 4 July 2022.

Ms Clark is an experienced business professional with more than 20 years in banking and finance, and nearly 17 years as a Company Secretary to other ASX-listed entities. Her experience includes debt and capital raising, risk management, mergers and acquisitions, compliance, and governance.

Mr Usher is stepping down due to Scout's strategic decision to move operations to the East coast. The Company thanks Mr Usher for his 5 years of dedicated support and service.

## 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. As part of growth plans, during the first quarter FY2023, Scout has engaged with a corporate advisor to pursue a significant, non-dilutive, capital infusion.

It is a goal of the Company for RMR alone to balance monthly cash burn and, based on the number of monthly telco adds across the last two quarters, the Company is well on its way to achieving that goal. 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.

Scout Security CEO, Ryan McCall, said:

*"Our strong start to CY22 has continued throughout the June quarter, with growth spurred by a productive relationship with our US telecommunications partner. Scout's total annualised recurring revenue (ARR) continues to grow healthily, showing the impact of our recent white label expansion into the US telecommunications and internet service provider sectors."*

*"We have been fortunate to expand and develop our executive team, with Kevin Brennan commencing as Chief Operating Officer, Hilari Smith joining as VP of Accounting during the quarter and Kim Clark joining as Company Secretary. Securing these personnel has been invaluable as Scout's white label sales have continued to gain scale, backed by the Company's successful infusion of working capital during the quarter."*

*"With new monthly telco sales continuing to grow, new products set to launch with our telco partner, and potential new partnerships progressing through our pipeline, we reiterate our positive outlook for growth in revenue and net operational cash flow."*

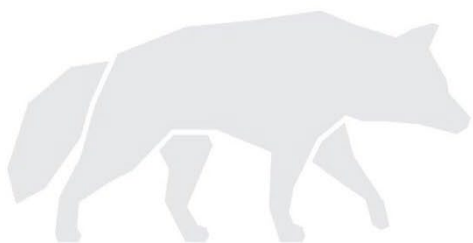
### Statements pursuant to ASX Listing Rule 4.7C.1

Payments to related parties and their associates during the quarter totalled AU\$75k, AU\$72k of which relates to executive remuneration, and AU\$3k for non-executive director expenses.

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

- In reference to item 1.2(f) of the Appendix 4C, administration and corporate costs totaling AU\$313k were marginally higher than the previous quarter yet lower than other 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\$604k 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\$389k were in line with the prior quarter.

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 report follows.

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

**For more information, please contact:**

**Ryan McCall**  
**Chief Executive Officer**  
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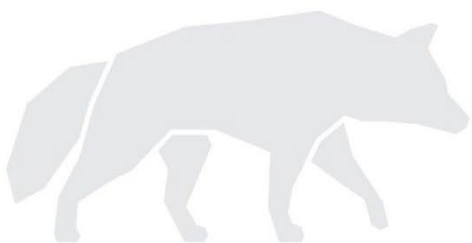
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**About Scout Security Limited**

Scout Security Limited (ASX: SCT) is a white label security-as-a-service platform and product suite powering recurring revenue for some of the largest security, internet service and telecommunications providers in the world. Scout's simple and affordable DIY approach puts security within reach for millions of residential homes, small-to-medium businesses and multi-tenant buildings.

Scout was recognised 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 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")**

30 JUNE 2022

<b>Consolidated statement of cash flows</b>	<b>Current quarter \$A'000</b>	<b>Year to date (12 Months) \$A'000</b>
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	447	2,302
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating costs	(389)	(2,282)
(c) advertising and marketing	(14)	(81)
(d) leased assets	-	-
(e) staff costs	(604)	(2,133)
(f) administration and corporate costs	(313)	(1,545)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	8	13
1.5 Interest and other costs of finance paid	(25)	(28)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other (provide details if material)	360	360
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(530)</b>	<b>(3,394)</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 (12 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)	-	200
3.2	Proceeds from issue of convertible debt securities	-	875
3.3	Proceeds from exercise of options	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	-	(13)
3.5	Proceeds from borrowings	593	593
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>593</b>	<b>1,655</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	104	1,903
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(530)	(3,394)
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 (12 Months) \$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	593	1,655
4.5	Effect of movement in exchange rates on cash held	70	73
4.6	<b>Cash and cash equivalents at end of period</b>	<b>237</b>	<b>237</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	237	104
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>237</b>	<b>104</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	75
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.</i> <i>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	593	593
7.2	Credit standby arrangements	-	-
7.3	Other (please specify)	-	-
7.4	<b>Total financing facilities</b>	2,450	1,612
7.5	<b>Unused financing facilities available at quarter end</b>		838
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 July 2020). A total drawdown of \$1,612,500 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. As of June 30 2022, there have been conversions to ordinary fully paid shares totally \$112,500.</p> <p>On December 23 2021, the company entered into a new convertible note facility to raise \$450,000 on the same terms as the existing facility. The full amount was drawn down in January 2022.</p> <p>In the June quarter, the company entered into a \$400,000 USD secured debt loan deed. The loan matures 730 days after Commencement date, interest of 7% p.a accrues daily and is due to be paid quarterly.</p> <p>Also, in the June quarter, A short-term loan on future recurring revenue was entered into the amount of \$43,200 USD. 20% of future recurring revenue is applied against the loan.</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)	(530)
8.2	Cash and cash equivalents at quarter end (item 4.6)	237
8.3	Unused finance facilities available at quarter end (item 7.5)	838
8.4	Total available funding (item 8.2 + item 8.3)	1,075
8.5	<b>Estimated quarters of funding available (item 8.4 divided by item 8.1)</b>	1.6
	<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: Yes

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: The company continues to explore all avenues in regards to receivables financing, secured debt, and other working capital facilities.

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: 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.

29 July 2022

Date: .....

Board of Directors

Authorised by: .....  
(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.