

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**

28 February 2023

## Financial Results for the Half-Year Ended 31 December 2022

### Highlights:

- **Momentum gathering in Scout's telco rollout, achieving ~500 monthly net new customer adds while opening sales to low bandwidth users to increase TAM by ~30%**
- **Encouraging progress under partnership with Lumen Technologies, Inc ((NYSE: LUMN) "Lumen"), with the alpha version of Lumen's Scout-powered Motion Sense Security solution now complete and pending full pilot launch on Lumen's approval. The solution developed for Lumen is extendable to other ISPs and telco carriers, direct and through managed WiFi resellers, that account for over 70 million homes globally**
- **Annualised recurring revenue (ARR) grew by 174% over the prior period, with monthly recurring revenue (MRR) having increased each month since September 2021**
- **Joint marketing Memorandum of Understanding signed with a major player in wireless motion sensing**
- **Growth in sales is expected through Scout's US telecommunications partner along with progress in converting the Company's pipeline of potential white label partners**

Security-as-a-Service platform provider Scout Security (ASX: SCT, "Scout" or "the Company") is pleased to provide its Interim Financial Report for the six months ending 31 December 2022 ("H1 FY23").

### Financial Highlights

During the period, the Company's annualised recurring revenue (ARR) increased to \$1.1 million. This represented growth of 174% from H1 FY22, despite the planned conclusion of the Company's sales partnership with smart home device and service provider Zego, which contributed \$250k to ARR in the prior period. Scout's relationship with Zego concluded due



to a change of focus under their new private equity ownership which saw Zego move away from servicing the smart apartment market. As Zego has provided Scout with the contact details of previously-served customers, the Company is now assessing the opportunity to win back some of that recurring revenue. This arrangement has been formalised under a joint referral agreement which will see each company receive 20% of referred sales from the other.

During the period, Scout earned subscription revenue of \$430k, a 72% increase from H1 FY22. Growth in Scout's monthly recurring revenue (MRR) reflects sell-through and activation of Scout-powered security systems. Over time, growth in MRR also decreases the significance of hardware purchase orders to the Company's cash flows.

The main driver of expenditure growth against the same period last financial year were additional employee expenses due to the Company expanding its customer service team to meet the increase in customers from its white label partners, as well as the hiring of a new CEO, CFO, and COO, though this cost was offset by eliminating outsourced services. The Company also incurred \$294k in camera hardware expenses (intended for B2B2C sales) without yet realising the corresponding sales revenue; however, Scout expects this to come through in H2 FY23.

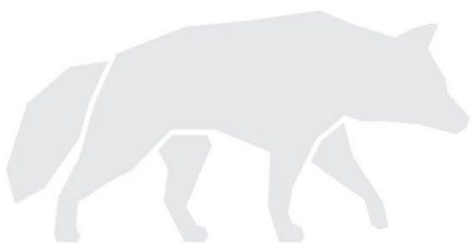
In September 2022, Scout successfully completed a \$0.93 million placement and launched a partially underwritten \$1.38 million rights issue, successfully raising the maximum of \$1.38 million before costs over the subsequent three months. Net proceeds of the capital raisings completed during H1 FY23 will be used to support the Company's working capital as Scout continues to scale up its home security platform rollout via white label partners.

## Operational Highlights

During H1 FY23, US sales of the Scout-powered white labelled telco home security solution continued to develop. The Company's first US ISP white label partner, Windstream, continues to add approximately 500 net new customers monthly while it is developing an e-commerce solution with a launch date targeted for Q3 FY23.

During the quarter, Scout executed the largest expansion in its white label partner group to date, signing a Statement of Work with Lumen Technologies, Inc (NYSE: LUMN) "Lumen". Lumen is a US\$4bn market cap, full-service US telco with 5 million broadband subscribers, adding 20,000 new broadband subscribers monthly, and US\$20bn in annual revenue. It offers bundled services including high-speed broadband and fibre internet, entertainment, digital TV, voice and cybersecurity to residential subscribers and multi-tenant buildings. Lumen also provides data, cloud solutions, unified communications and managed services to small, medium and large business, enterprise clients and government agencies.

The contract will see Scout build out a motion sense home security app for Lumen, as part of a smart security platform buildout encompassing all functionality necessary for Lumen to provide home security services, video cloud storage and smart home controls to Lumen subscribers. The solution will leverage existing whole-home WiFi equipment from Lumen, fibre internet, Scout video products and Lumen technology licenses.



This app will bring cutting-edge WiFi sensing capability to detect motion in homes through any WiFi6 router. This will open a new addressable market for Scout of low-bandwidth users who could purchase a “light” home security system as a stepping stone that can be built up over time. The Company is pleased by its progress so far with Lumen and expects to update investors regularly as this opportunity comes to fruition.

The alpha version of Lumen's Scout-powered Motion Sense Security solution is now complete and pending full pilot launch on Lumen's approval. Scout expects to launch the smart security and control platform under Lumen's brand in the first half of CY2023, with recurring revenues to follow. Lumen represents the largest addressable subscriber base of any Scout channel partner to date in its growing US telco partner group. Scout's medium-term goal is to penetrate 10% of Lumen's 5 million subscriber base and 10% of new monthly subscribers. The solution developed for Lumen is extendable to other ISPs and telco carriers, direct and through managed WiFi resellers, that account for over 70 million homes globally.

During H1 FY23, Scout announced plans to launch its home security platform into Australia via Amazon.com.au. Amazon is a Scout shareholder and long-time partner of the Company.

The launch commenced in late October with Scout's indoor and outdoor HD cameras. The launch price of A\$59.99 per camera includes one month of free video cloud storage. Pricing for 14-day cloud storage has been set at A\$5 per month, with all storage revenue flowing to Scout.

Scout's Amazon.com.au launch is only the first step towards the Company entering the Australian market. Discussions continue with Australian internet service providers (ISPs) and value-added resellers (VARs) to bring Scout's Security-as-a-Service platform to Australia.

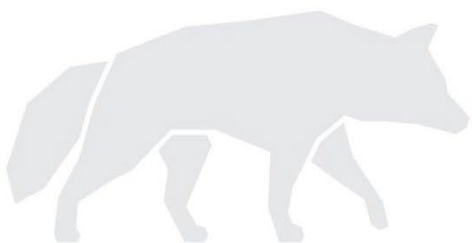
The Company is also pleased to advise that it has signed a Memorandum of Understanding (MoU) with a major North American provider of WiFi motion sensing technology.

This party, and others like it, partner with ISPs and hardware and software providers to enable WiFi-connected devices to see and interpret motion, bringing contextual awareness and user behaviour insights to the smart home.

The Company will provide further details on this opportunity via a joint press release with its partner. This is one of several such partnerships in the WiFi motion sensing space that Scout is intending to sign.

The Board does not consider the MoU financially material to the Company nor quantifiable in the short term, however it is viewed as strategically significant due to its enhancement of the utility of, and addressable market for, the Scout security platform.

Scout CEO, Ryan McCall, said:



*"Scout is poised for significant growth in 2023 and the Company has ambitious goals for the year ahead. We expect further growth in sales through Scout's US telecommunications partners, expansion into Australia and progress on our pipeline of potential white label partners."*

*"The Company has identified additional growth opportunities made possible through WiFi sensing - a new capability deployable through WiFi6 devices that can be used by Scout to detect motion in homes. Using WiFi sensing, users could purchase a "light" home security system that can be built up over time - a reframe of the home security industry and its value proposition. We have identified over 3,000 ISPs, representing millions of households in the U.S. alone, that could leverage Scout's emerging capabilities relating to WiFi sensing. We expect this development to revolutionise home security, taking us towards our hardware-free future – and Scout is uniquely positioned as the only white label DIY security offering available to enterprises with WiFi Motion Sense ready to launch."*

*"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 continues to see industry validation that smart security is one of the most compelling extensions of the telco core, and based on the successes we are seeing with our first US partners, the Company has good reasons to hold a positive outlook for growth in the year ahead."*

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

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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.

