



ASX RELEASE

28 November 2017

Chairman's Address - AGM

Good afternoon,

Thank you for joining us here today for the 2017 Annual General Meeting of Scout Security Limited. My name is John Strong, and I am the Chairman of the Scout Security board.

This is our first AGM since listing on the Australian Securities Exchange in August, and I am pleased to provide an overview of our company and an update of our activities since then.

Our listing on the ASX followed our acquisition of Scout Security Inc by way of a merger, which was completed just prior to our listing, and completion of a five million Australian dollar initial public offering.

Scout Security formed in the United States in 2013 to develop a wireless home security system that is modern, open and affordable. Scout aims to be the go-to experience for protected and connected home security and other services that can be customised for the home. Our target market is the United States, where 80 per cent of the population lives without home security, as it is out of their reach financially or fails to meet their needs or expectations.

Home security in the US is a 23 billion-dollar market, where there are more than 130 million homes, and 35 per cent of these are occupied by renters. We see home security as the trojan horse into the Internet of Things, enabling us to provide people with a valued service that they are accustomed to paying for. We are working to provide a solution that will meet the needs of this market in a world where technology continues to evolve at a rapid pace.

The Scout Alarm is a self-installed, wireless home security system that offers the core devices that consumers need to protect their homes. We've integrated our offering with the best-in-class devices in the smart home market and we have a high definition



camera in development to continue establishing ourselves as leaders in the space. It is on top of these devices that we deliver our powerful software, services and professional monitoring for customers.

The Scout Alarm system is portable, making it ideal for renters that move from house to house, and we offer flexible monthly service fees on a month-to-month or annual basis. Our plans start at just under 10 US dollars a month, which means that home security is now within reach of many customers who could previously not afford it.

Our system offers 4G cellular backup, and is enabled with the latest technology such as Z-wave and Zigbee radios to help create a stronger signal between the devices.

No other security system on the market integrates with as many best-in-class devices and platforms, including Google Home and Samsung SmartThings. We give our customers voice control of their home security through Android and Amazon's Alexa systems. Our modular product offering includes door locks, lighting and water sensors to provide a bespoke and comprehensive home security solution.

I am really proud of what we have been able to achieve in the short time since our ASX listing. Our recurring monthly revenue has continued to grow strongly on an annualised basis over the past two years as system sales have expanded. As of October 2017, we are generating nearly \$850,000 Australian dollars of recurring monthly revenue, per year. To provide a sense of the scalability of this recurring business, we anticipate that, on average, for each dollar we spend on marketing, it generates nearly five dollars in revenue for Scout.

We have built momentum in our sales channels since our ASX listing, complementing our direct website sales, and those through Amazon with new partnerships that will put Scout in front of millions of potential customers in FY18.

In September we signed a deal that will see top 25 US insurer Hanover Insurance sell our security kits to its customers and employees as part of its Partners in Protection program.

Hanover has an engaged and growing customer base of more than 2 million home and business policy holders, and nearly five thousand employees. We expect this resale deal, and additional partnerships like it, to provide a material boost to our hardware sales and to our recurring monthly revenue, which continues to grow steadily.

In October, we partnered with Casa IQ, which provides smart home device and service packages to tenants and managers of multifamily dwellings, better known in Australia as apartment blocks. This is a 19 million household addressable market in the US.



By adding Scout security sensors and value-added services to Casa IQ's smart home packages, we expect this partnership to help us accelerate our penetration of the attractive multi-family dwelling channel. Casa IQ has already ordered more than 1,000 hubs, with a pre-payment of A\$320,000, and we see great potential for this partnership to yield up to another 10,000 system orders over the next 12 months. Such a development would drive a material boost in revenue for Scout, and this is only one of several such deals on which we currently have line of sight.

Most recently, we launched a new DIY security product suite for the network of more than 13,000 traditional security alarm dealers in the United States. This will leverage our technology platform on top of third party hardware to provide security alarm dealers with an attractive way to help meet customer demand for DIY home security.

We have worked incredibly hard to bring this product suite to market, having identified that the dealer channel represents a significant opportunity for Scout. In time, we believe that sales through this channel could exceed sales from our direct to consumer offering.

We followed this announcement with news of our resale deal with COPS Monitoring, which marks our first major US alarm dealer channel partner.

COPS Monitoring brings more than 2.4 million accounts and has relationships with more than 3,500 security system dealers in the US.

We expect system sales through this channel to drive an increase of sales of hardware as well as growth in our recurring revenue, and we expect to see this from the next quarter.

This will help us reach customers who may prefer to buy their security system from a local dealer rather than online, and it will significantly shorten our sales cycle.

Awareness of the Scout ecosystem continues to grow, and we have generated significant publicity through trade publications such as ASecureLife and SecurityGem. ASecureLife has named the Scout system in its Top 10 Overall Security Systems as well as giving it the Best Designed award. SecurityGem named our system as the number one no-contract home security system. We were also proud to be rated in the top five of best do it yourself home security systems on the website Reviews.com.

The outlook for our company is strong, demonstrated by what we have achieved in the first few months of the 2018 financial year. We expect consistent growth in hardware sales and recurring revenue, and we will ramp up our marketing efforts as stock arrives. This will help to drive further sales and subscription revenues, and we note significant scope to achieve material growth in our business through strategic resale and distribution partnerships across the US retail, consumer and utility sectors.



In 2018, we will target new lucrative distribution channels in addition to the ones already established, and these will include online catalogues, brick and mortar retail businesses and telco and utility partners.

In conclusion, I would like to thank my fellow Board members, our Chief Executive Officer Dan Roberts and Executive Director David Shapiro, as well as Non-Executive Directors Anthony Brown and Sol Majteles, for their efforts in helping Scout build such impressive momentum in a short time since our listing.

I look forward to keeping you updated on our progress.

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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. In 2016, the

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Scout system was recognised by CNet as one of the Best Smart Home Devices of the year.

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 Works With Nest and Samsung SmartThings. Scout is also an Amazon Alexa Fund portfolio company.

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