



ASX RELEASE

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Scout Security H1 FY18 Results Commentary

Highlights:

- **Continued growth in sales saw Scout achieve H1 FY19 revenue of AU\$1.84m, up 92% year-on year**
- **Three multi-billion dollar partners secured during the period: Stanley Black & Decker, Walmart and Prosegur, which is also a new Scout shareholder having made a strategic equity investment of up to US\$5.3M (AU\$7.4M) via two tranches, the first tranche of AU\$2.9M having been received in December**
- **With Scout now positioned as one of the few remaining independent smart home security platforms in the market, and one of the few providers to offer a white label platform, the Company retains a positive growth outlook for 2019 and anticipates ongoing expansion in partnerships, white label sales and direct sales**

Home security provider Scout Security Limited ((ASX: SCT), "Scout" or "the Company") is pleased to provide its Interim Financial Report and Appendix 4D for the half year ended 31 December 2018 and a commentary on results.

Financial highlights

Scout achieved half-year revenue of AU\$1.84 million, representing an increase of 92% over the prior comparable period. Growth in revenue was driven primarily by stronger system sales through the Company's white label channels.

The net loss of the period of AU\$1.61 million represented a positive AU\$1.087 million turnaround as the Company built on existing distributor relationships, enhanced its online presence and secured new strategic partners to provide Scout with a path to long-term international growth.

Operational highlights

Strategic Partnership with Prosegur: in December, Scout secured a strategic partnership with multinational security company Prosegur Compañía de Seguridad, S.A (BMAD: PSG, "Prosegur") and an investment of up to US\$5.3 million (A\$7.4 million, based on an agreed exchange rate of US\$1: A\$0.71). The investment from Prosegur has empowered Scout to ramp up its paid marketing efforts and execute against growth plans.



Prosegur is a global leader in security services with more than 175,000 employees and active in the manned guarding and technology, cash-in-transit, and alarms businesses through Prosegur Security, Prosegur Cash, and Prosegur Alarms.

The Company and Prosegur also entered into a commercial agreement under which they agreed to negotiate a formal arrangement over the next 18 months to grant Prosegur exclusive rights to distribute Scout's full suite of branded security products into Prosegur's key monitoring business markets of Spain, Portugal, Argentina, Peru and Chile. It is also anticipated that the Company will grant Prosegur exclusive rights in relation to Company products and technology in key international regions, and Prosegur will provide the Company access to a range of opportunities and strategic services.

Walmart signs as online retailer: in November, Scout announced US retail giant Walmart would sell Scout's home security systems through Walmart's online store, achieving first sales in December. The Scout offering complements Walmart's existing security and smart home offerings and provides Walmart customers with complete flexibility around their home security needs.

For Scout, Walmart.com represents the first of several online resellers the company is targeting for expansion of direct-to-consumer sales to complement Amazon.com.

Partnership with Stanley Black and Decker: in August, Scout announced it had signed a partnership deal with Stanley Black & Decker, Inc. ((NYSE: SWK), "SBD") for SBD to license Scout's home security platform and hardware suite.

Stanley Black & Decker has been in business for 175 years and is the 2nd largest provider of security services globally, protecting more than 500,000 buildings around the world. SBD manages a powerful portfolio of trusted brands in residential and commercial security, complemented by market-leading technologies in tools, healthcare and industrial applications.

The companies identified several short-term and long-term potential applications of using the Scout platform to augment SBD's existing and planned customer solutions, and STANLEY Security placed an initial purchase order for Scout equipment during the December quarter.

Multiple orders from partner Zego: Scout's key resale partner Zego ordered 1,000 smart home security hubs in each of the months in the September quarter, in addition to taking delivery on 785 additional hubs to meet demand above and beyond forecasts. In total, Zego has ordered over 7,000 units from Scout, meeting the target of 5,000 to 10,000 Scout systems ordered in a 12-month period.

With Zego having reached a critical mass of installed systems, Scout and Zego will be working jointly in early CY19 to activate subscription service offerings.

In conjunction with Stanley Black & Decker, Zego and other potential partners, Scout continues to expand its white label capabilities to be increasingly flexible, versatile and feature-rich.



Boosting online presence: in December, Scout launched an all-new website at www.scoutalarm.com after modernising the website to use the Shopify e-commerce platform and refining the Company's message to consumers for 2019. This made the site more flexible for marketing purposes and is providing other optimisations that the Company expects will save on development costs and allow it to quickly adapt the site as needed.

In addition, the Company revamped its profile and listings on Amazon, seeing Scout achieve and maintain a customer rating of more than 4 stars.

Further commentary on Scout's operational achievements during the period are available in the Directors' Report within the Company's Interim Report lodged today.

Outlook

With a period of industry consolidation coinciding with rising international interest in smart home security products in 2018, Scout is now positioned as one of the few remaining independent platforms in the market, and one of the few security providers to offer a white label platform.

Scout continues to see rising interest in its white label platform and anticipates ongoing expansion in partnerships and white label sales as well as direct sales.

The Company's recent capital raising has empowered Scout with the flexibility to ramp direct-to-consumer marketing at the same time that the business development team secures new industry partners.

The combination of increased direct-to-consumer marketing, white label partner sales and international expansion opportunities underpin the Company's positive growth outlook in 2019.

The Company's cash balance at 31 December 2018 was AU\$2.8M.

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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 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.

www.scoutalarm.com