



ASX RELEASE

30 April 2019

Scout Security March 2019 Quarter Update and Appendix 4C

Highlights:

- Scout earned cash receipts in the March quarter of AU\$1.1M, up 152% year-on-year and 37.5% quarter-on-quarter with a healthy contribution from white label orders
- White label orders, inclusive of Zego, continued to flow through in CYQ1 in line with 2019 forecast expectations and prior guidance
- Scout overhauled its online presence with a revamped website in January in anticipation of significantly ramping direct-to-consumer marketing spend and contributing to sales growth in early 2019
- Scout progressed partner rollout plans following meetings at the CES and ISC West trade shows in Las Vegas over the course of the quarter
- The short-term \$500k AUD working capital facility put in place in the fall of 2018 has been fully repaid
- The Company maintains a positive near-term growth outlook and anticipates ongoing expansion in partnerships, white label sales and direct sales over the course of 2019

Home security provider Scout Security Limited ((ASX: SCT), "Scout" or "the Company") is pleased to present its Appendix 4C - Quarterly Cash Flow Report for the period ending 31 March 2019 and an update on business progress.

Scout Security co-founder and CEO Dan Roberts said:

"Things may appear calm on the surface at Scout, but the team is working intensely behind the scenes on partner project rollouts. As we blend more commercially sensitive white label partnerships with our direct-to-consumer model, there has been a natural shift in the frequency of news over the past quarter. In the short term, that's uncomfortable for all stakeholders. However, if the revenues continue to materialize from those projects, as we expect, the results will speak for themselves in time. We are seeing strong signs that our partner-led growth strategy will fuel our drive to scale."

"In 2018, we saw a flurry of device announcements and new products from our team. Now that the product suite is fully rounded out, we're firmly in growth and execution mode. Zego orders continue to flow through in line with internal and external 2019 forecast expectations. Partnerships such as Stanley Black & Decker and Prosegur are moving forward and are emblematic of the types of new



deals we're pursuing. Our aim is to secure more partners of this caliber in 2019. At the same time, we remain cognisant that these opportunities take longer to secure, typically come with a longer launch cycle, have longer payment terms and do not afford us scope to disclose individual purchase orders.

"Attending the CES and ISC West trade shows has helped us to grow our profile as one of the most versatile, user-friendly and affordable independent security platform providers on the market. At these events, we progressed rollout plans with existing partners and also advanced conversations with what we hope will be the 2019 crop of new partners.

"Beyond white label progress, the infusion of capital from Prosegur has allowed the team to run full speed on the direct-to-consumer side of the business. We overhauled the Scout web experience in January and streamlined our engineering team's workload. We've ramped direct-to-consumer marketing across the board in the past quarter. Our Amazon profile has lifted. And, the team is optimizing on-site conversion, SEO and the new customer funnel on a daily basis to lift sales.

"As we progress through 2019, efforts on both the direct-to-consumer and white label businesses will fuel the other. Direct-to-consumer sales lifts Scout's overall profile in the market, drives high-margin recurring and put us on the pulse of consumer behavior. Partner white label sales have the potential to drive scale that benefits from over six years of selling our direct-to-consumer platform.

Team

To assist with the day-to-day project management of white label project rollouts, Miranda Brickner, (formerly Head of Scout Customer Service) has been promoted to an Operations Lead role. Paul Brandt, previously a member of the Customer Service team, has been promoted to Head of Customer Service.

Operational Highlights

After modernising its website to use the Shopify e-commerce platform in late 2018 and refining the Company's message to consumers for 2019, Scout has been ramping digital marketing efforts across the board. Scout also revamped its profile and listings on Amazon, which is expected to boost sales through the Amazon platform as the year progresses.

Scout's strong marketing push in 2019 is underpinned by its strategic partnership with multinational security company Prosegur, which is investing up to A\$7.4 million (US\$5.3 million) in the Company, as announced late last year. Increased marketing not only serves the purposes of ramping Scout's presence and sales in the USA, but will also speed efforts internationally as solutions are pushed out for Prosegur.

As part of this marketing campaign, Scout's co-founders, CEO Dan Roberts, CTO Dave Shapiro, and Head of Sales Noah Ney attended the 2019 CES consumer electronics trade show in Las Vegas, Nevada in January 2019. CES brought together the leaders in consumer technologies for more than 180,000 attendees, showcasing 4,400 exhibiting companies and 600 start-ups, with developers,



manufacturers, and suppliers of consumer technology hardware among those who attended.

Corporate

Repayment of working capital facility

During the quarter, Scout repaid the AU\$500,000 working capital facility received and announced to the ASX on 28 September 2018.

The facility supported Scout's general operational expenditures to allow the Company to boost inventory orders, increase turnover and drive expansion in its white label connected security platform.

Repayment of this facility represents execution of the Company's strategy to develop a more mature capital structure, which has been enabled by Prosegur's equity investment secured in December 2018.

Outlook

2018 saw industry consolidation alongside continued international growth in interest in smart home security products, prompting research firm Transparency Market Research to forecast the global smart home security market to reach a value of US\$8 billion by 2027, expanding at a CAGR of 20.6%. Within this expanding market, Scout is well-positioned as one of few remaining independent platforms, 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 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 March was AU\$1.1 million.

An Appendix 4C follows.

For more information, please contact:

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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

Appendix 4C

Quarterly report for entities subject to Listing Rule 4.7B

Introduced 31/03/00 Amended 30/09/01, 24/10/05, 17/12/10, 01/09/16

Name of entity

Scout Security Limited

ABN

13 615 321 1189

Quarter ended ("current quarter")

31 March 2019

Consolidated statement of cash flows		Current quarter \$A'000s	Year to date \$A'000s
1. Cash flows from operating activities			
1.1 Receipts from customers		1,067	2,937
1.2 Payments for			
(a) research and development		-	-
(b) product manufacturing and operating costs		(927)	(1,884)
(c) advertising and marketing		(106)	(199)
(d) leased assets		-	-
(e) staff costs		(317)	(1,051)
(f) administration and corporate costs		(874)	(1,922)
1.3 Dividends received (see note 3)		-	-
1.4 Interest received		2	2
1.5 Interest and other costs of finance paid		(9)	(23)
1.6 Income taxes paid		-	-
1.7 Government grants and tax incentives		-	-
1.8 Other		-	-
1.9 Net cash from / (used in) operating activities		(1,164)	(2,140)

2. Cash flows from investing activities			
2.1 Payments to acquire:			
(a) property, plant and equipment			
(b) businesses (see item 10)		-	-
(c) investments		-	-

Consolidated statement of cash flows		Current quarter \$A'000s	Year to date \$A'000s
	(d) intellectual property	-	-
	(e) other non-current assets	-	-
2.2	Proceeds from disposal of:		
	(a) property, plant and equipment	-	-
	(b) businesses (see item 10)	-	-
	(c) investments	-	-
	(d) intellectual property	-	-
	(e) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (Cash acquired on acquisition))	-	-
2.6	Net cash from / (used in) investing activities	-	-

3.	Cash flows from financing activities		
3.1	Proceeds from issues of shares	-	3,055
3.2	Proceeds from issue of convertible notes	-	-
3.3	Proceeds from exercise of share options	-	-
3.4	Transaction costs related to issues of shares, convertible notes or options	(10)	(59)
3.5	Proceeds from borrowings	-	500
3.6	Repayment of borrowings	(500)	(500)
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
3.10	Net cash from / (used in) financing activities	(510)	2,996

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of quarter/year to date	2,800	270
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,164)	(2,140)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	-	-
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(510)	2,996

Consolidated statement of cash flows		Current quarter \$A'000s	Year to date \$A'000s
4.5	Effect of movement in exchange rates on cash held		
4.6	Cash and cash equivalents at end of quarter	1,126	1,126

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	1,126	2,797
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	1,126	2,797

6. Payments to directors of the entity and their associates

- 6.1 Aggregate amount of payments to these parties included in item 1.2
- 6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2

Current quarter
\$A'000

123

-

Director Salaries – 97k
Director fees – 26k

7. Payments to related entities of the entity and their associates

- 7.1 Aggregate amount of payments to these parties included in item 1.2
- 7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2

Current quarter
\$A'000

-

-

-

8. Financing facilities available <i>Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
8.1 Loan facilities	-	-
8.2 Credit standby arrangements	-	-
8.3 Other (please specify)	-	-
8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		
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9. Estimated cash outflows for next quarter	\$A'000
9.1 Research and development	-
9.2 Product manufacturing and operating costs	(291)
9.3 Advertising and marketing	(147)
9.4 Leased assets	-
9.5 Staff costs	(278)
9.6 Administration and corporate costs	(250)
9.7 Other (provide details if material)	-
9.8 Total estimated cash outflows	(966)

10. Acquisitions and disposals of business entities (items 2.1(b) and 2.2(b) above)	Acquisitions	Disposals
10.1 Name of entity	-	-
10.2 Place of incorporation or registration	-	-
10.3 Consideration for acquisition or disposal	-	-
10.4 Total net assets	-	-
10.5 Nature of business	-	-

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.

Sign here: 
(Company Secretary)

Date: 30 April 2019

Print name: Stuart Usher

Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly 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 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.