

**ASX RELEASE**  
31 October 2019

## Scout Security September 2019 Quarter Update and Appendix 4C

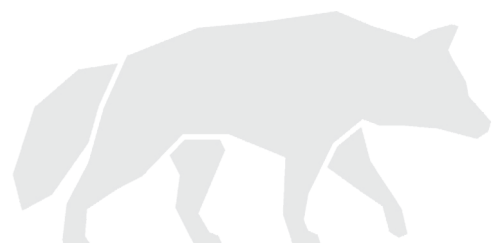
### Highlights:

- **New working capital facility of up to \$1 million secured in the quarter to accelerate business growth**
- **Scout expanded its security suite with launch of Video Doorbell and the Scout Keypad, adding over \$30,000 AUD in new device sales during the quarter and corresponding recurring monthly revenue (RMR)**
- **The Company updated its mobile app, allowing users to add Scout camera products and cloud storage services independent of, and in conjunction with, owning a security system, expanding the addressable market for its security solutions and services**
- **Scout's key white label partner, Prosegur, joins forces with one of the largest telecommunications companies in the world, Telefónica, to ramp up the Spanish alarm business, opening new product development opportunities for Scout**

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 30 September 2019 and an update on business progress.

Scout Security co-founder and CEO, Dan Roberts, said:

*"We have invested considerably in the first few months of FY20 to launch not just with our key white label partners, Prosegur and Stanley Black & Decker, but with a pipeline of additional potential partners. The established players in the security industry are increasingly recognising that with self-installed smart solutions, working with Scout*



*presents an opportunity not only to add new revenue through DIY sales, but also to modernise their respective alarm businesses for the future.*

*"While we have focused our cash spend on these significant white-label opportunities, our direct-to-consumer business continues to generate consistent revenue with minimal expense. Away from this positive development, the optics of this quarter's cash flow statement have been impacted by three key cash receipts being deferred by a matter of months, being for a Zego order, a supplier payment and white label development fees. In aggregate, this will see the Company take receipt of over \$700,000 AUD cash in the December quarter which it had expected to land in the September quarter. While delays are disappointing, we have already taken receipt of multiple of these payments in October which will set a strong base of receipts for next quarter's report.*

*"During the quarter, Scout also unveiled two new highly requested devices, the Scout Keypad and Video Doorbell. These products have rounded out Scout's increasingly robust suite and have been well-received by customers in the first few months since launch."*

## Operational Highlights

### **Expansion of security suite**

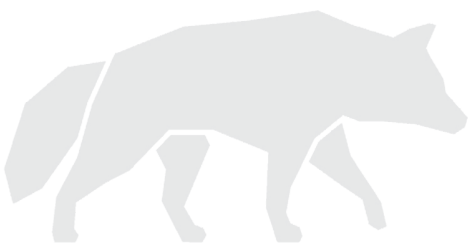
As noted in the Company's last quarterly report, in July Scout expanded its security suite with the launch of a highly requested home security product, the Scout Keypad. The Scout Keypad allows users to physically arm and disarm their security system and works in tandem with the Scout mobile app when the user is remote.

In upgrading the user experience from the existing door panel to the new keypad product, Scout has brought familiarity to arming and disarming, while also lowering the Company's cost of goods sold and helping to streamline its supply chain. The launch of the Keypad has broadened Scout's addressable market to include a new set of target customers who want to arm and disarm their entire security systems with the touch of a button - ideal for households that deal with dog walkers, housekeepers and maintenance workers.

First sales of the Keypad have been generated through marketing to Scout's existing user base and through the Company's recently-upgraded online store.

During the quarter, Scout released another new smart home security product, the Scout Video Doorbell, designed to empower consumers with more flexible control of their home security systems. The Video Doorbell transmits to mobile in clear 1080p HD in all lighting conditions, catering to the fast-growing market of US consumers who want a network-connected security video doorbell as part of their smart home security service.

Scout expects the Video Doorbell to act as a gateway device which encourages and



motivates consumers to purchase Scout's complete home security system, with the software capable of integrating with all other meaningful smart-home IoT platforms. In addition to the video doorbell being a potentially key customer acquisition tool, the addition of this product allows Scout to capture additional recurring monthly revenue (RMR) from video cloud storage subscriptions independent of having to own a full Scout system.

First sales of the Video Doorbell have been generated through marketing to Scout's existing user base and through the Company's recently upgraded online store. The keypad and doorbell combined to add over \$30,000 AUD in new device sales in the quarter, also adding the corresponding RMR.

Scout's also updated its app during the quarter, one enhancement being the ability for users to now purchase Scout's Doorbell, high definition 1080p Scout Camera or a complete security system, with each product able to be operated independently or jointly. Previously, customers had to own Scout's full security system to buy and use Scout's Camera. The app now allows unbundled purchases for the first time, helping customers to seamlessly buy and install Scout's Keypad and/or Camera and/or security suite and related Scout services, such as video cloud storage. By adding this function, not only does Scout benefit from additional sales of individual devices and allowing for premises to be completely monitored via video products, it also broadens the Company's opportunities with white label partners, allowing them to do the same. As Scout looks at the existing base of consumers that each existing and potential partner has access to, the ability to sell devices independently or jointly with a security system will encourage consumer uptake.

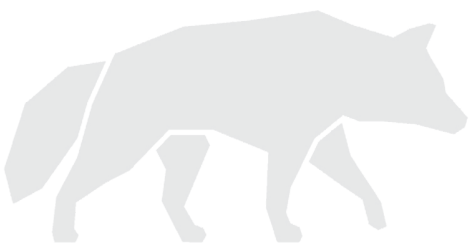
Scout continues to progress discussions with additional potential resellers and distribution partners across the US retail and consumer sectors.

### ***Prosegur Partner Update***

Post quarter-end, Scout noted the significance of Telefónica (BME: TFE), one of the largest telecommunications companies in the world, agreeing to acquire a 50% stake in the Spanish alarm business of Prosegur (BME: PSG), a global leader in the private security sector and one of Scout's key white label partners.

This transaction, valued at around €300 million subject to debt and working capital adjustments, is expected to accelerate the development of Prosegur's alarm business in the Spanish market. The deal also presents opportunities for collaboration between the parties' Venture Capital units, Prosegur Tech Ventures and Telefónica Innovation Ventures.

As Prosegur and Scout have been working together now for more than nine months towards jointly offering new and existing security products in Spanish-speaking markets,



Scout sees this investment as a potential catalyst for growth and additional product development opportunities.

## Corporate

During the quarter Scout released an updated investor presentation discussing the Company's growth strategy, the competitive landscape and growth drivers.

### ***Working Capital Facility***

In August, Scout entered into an agreement providing access to a working capital facility of up to AU\$1 million. The working capital facility provides access to \$500,000 immediately and the ability to draw down another \$500,000 during the term of the facility.

Scout will use the funds to pursue growth opportunities, grow monthly recurring revenue and expand its business in the USA and abroad.

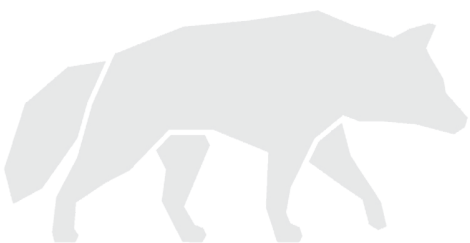
## Outlook

Scout remains committed to delivering tangible progress in its white label program in CY19. The Company expects to move into new development phases with its announced partners in the current quarter, and will keep investors apprised of material milestones as they approach and are achieved. Scout has cultivated an attractive pipeline of new potential white label partners and is working towards signing contracts with several of these in CY19.

With over AU\$700,000 of receipts moving from CYQ3 to CYQ4, the final cash receipts number in the September quarter is lower than anticipated, but those receipts will bolster the December quarter beyond initial expectations. The Company has received AU\$185,000 of cash from various counterparties already in October. A further AU\$532,000 in cash receipts is expected to flow from Scout's partners in the December quarter. As a result, the cost of goods sold in the December quarter will be higher than anticipated, corresponding to the increased inflows. While Scout's projected outflows are higher than prior quarters, this is primarily driven by the shifting inflows mentioned (COGS). The Company's projected outflows for the December quarter would have been lower than the September quarter had some of the cash receipts not shifted.

Another AU\$500,000 is available through the working capital facility recently secured. The combination of the anticipated cash receipts, the working capital available and anticipated partner payments in the December quarter will allow the Company to continue to execute and grow its business.

An Appendix 4C follows.



**For more information, please contact:**

**Dan Roberts**  
**Chief Executive Officer**  
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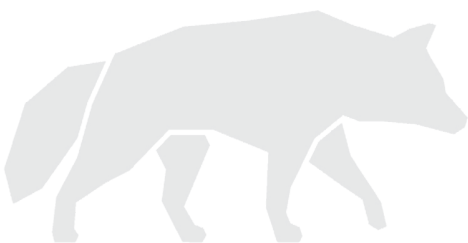
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#### **About Scout Security Limited**

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. Scout was named “Best App-Based Security System” in 2019 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, Google’s Assistant and Samsung SmartThings. Scout is also an Amazon Alexa Fund portfolio company.



## 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")**

30 September 2019

<b>Consolidated statement of cash flows</b>	<b>Current quarter \$A'000s</b>	<b>Year to date \$A'000s</b>
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	405	405
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating costs	(89)	(89)
(c) advertising and marketing	(142)	(142)
(d) leased assets	-	-
(e) staff costs	(305)	(305)
(f) administration and corporate costs	(606)	(606)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	-
1.5 Interest and other costs of finance paid	(5)	(5)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other	-	-
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(742)</b>	<b>(742)</b>

Consolidated statement of cash flows		Current quarter \$A'000s	Year to date \$A'000s
<b>2.</b>	<b>Cash flows from investing activities</b>		
2.1	Payments to acquire:		
	(a) property, plant and equipment	-	-
	(b) businesses (see item 10)	-	-
	(c) investments	-	-
	(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))	-	-
<b>2.6</b>	<b>Net cash from / (used in) investing activities</b>	-	-

<b>3.</b>	<b>Cash flows from financing activities</b>		
3.1	Proceeds from issues of shares	-	-
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	-	-
3.5	Proceeds from borrowings	500	500
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>500</b>	<b>500</b>

Consolidated statement of cash flows		Current quarter \$A'000s	Year to date \$A'000s
<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 quarter/year to date	365	365
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(742)	(742)
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)	500	500
4.5	Effect of movement in exchange rates on cash held	(1)	(1)
<b>4.6</b>	<b>Cash and cash equivalents at end of quarter</b>	<b>122</b>	<b>122</b>

<b>5.</b>	<b>Reconciliation of cash and cash equivalents</b> at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	<b>Current quarter \$A'000</b>	<b>Previous quarter \$A'000</b>
5.1	Bank balances	122	365
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
<b>5.5</b>	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>122</b>	<b>365</b>



**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**

82

-

Director Salaries – 70k  
Director fees – 12k

**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**

*Add notes as necessary for an understanding of the position*

Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
1,000	500
-	-
-	-

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.

Working Capital Facility – Tranche 1 of \$500,000 drawn during the quarter, Tranche 2 \$500,000 available to draw down 150 days after 27 August 2019 being the draw down date of tranche 1.

Fixed Interest rate of 11.25%

(Refer to ASX announcement dated 26 August 2019 for full details of the facility)

**9. Estimated cash outflows for next quarter**

**\$A'000**

9.1 Research and development

-

9.2 Product manufacturing and operating costs

(488)

9.3 Advertising and marketing

(45)

9.4 Leased assets

-

9.5 Staff costs

(344)

9.6 Administration and corporate costs

(450)

9.7 Other (provide details if material)

-

**9.8 Total estimated cash outflows**

**(1,327)**

**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

-

-

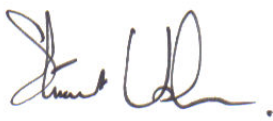
10.5 Nature of business

-

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### 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: 31 October 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.