

**ASX RELEASE**

31 January 2022

## Scout Security Quarterly Update and Appendix 4C

Home security provider Scout Security Ltd ((ASX: SCT), "Scout" or "the Company") is pleased to present its Appendix 4C — Quarterly Cash Flow Report for the period ending 31 December 2021 and update on business progress.

### Highlights of the December Quarter

- **Quarterly cash receipts of A\$715k, a 10% increase above CYQ3 receipts of A\$650k and a 265% increase above December 2020 receipts of A\$196k**
- **Scout-powered system sales with US telco partner Windstream continued to ramp, adding more than A\$80k in annualised recurring revenue in the quarter**
- **New partnership agreement signed with Hyperion Partners LLC, a master agent for T-Mobile and other carriers in the US**
- **Agreed, subject to shareholder approval, a capital raising and restructuring comprising:**
  - **A \$200k Placement to Scout Directors at 8.75c, a significant premium to the share price prior to announcement**
  - **An additional \$450k committed by sophisticated investors to subscribe for a new convertible note**
  - **94% of existing note holders have agreed to extend the note term until December 2023**
- **Ryan McCall appointed as CEO of Scout, effective 3 January 2022, to grow enterprise sales with co-founder Dan Roberts shifting focus to strategy and new product development**

### Financial Highlights

Scout generated cash receipts of A\$715k in Q2 FY22, a 10% improvement on the previous quarter receipts of A\$650k and a 265% improvement on the December 2020 quarter. The source of the inflows were a mix of hardware sales from the continued Windstream order program and the growing recurring revenue base from added subscribers in the quarter.



The Company experienced net cash outflows from operating activities of A\$1,064k during the quarter. The Company incurred A\$652k in product manufacturing and operating costs, which were A\$259k lower than the previous quarter, staff costs of A\$536k, in-line with prior quarters, and A\$559k in administration and corporate costs which are consistent with the previous quarter.

The quarter saw a more consistent set of inflows and outflows related to partner hardware payments although, importantly, a ~A\$180k partner payment was received in early January 2022 that had been expected in late December. As such, receipts were slightly lower in the quarter. The A\$180k has augmented cash reserves early in 2022 and will set a good base for inflows in CYQ1. Additionally, the sales and activations from Scout's US telco partner during the quarter have had a positive impact on recurring monthly revenue (RMR) and will continue to help offset outflows as these added subscribers compound and contribute RMR on a monthly basis.

The Company had A\$58k of cash at bank as at 31 December 2021. Importantly, the balance of cash available to the Company increases to A\$276k after adding the ~A\$180k supplier payment received in early January 2022 and \$37.5k in convertible note drawdown payments from Directors approved at the Company's recent AGM. A further \$650k in proceeds from the Capital Raisings discussed below are subject to shareholder approval at a shareholder meeting to be held on 18th February 2022.

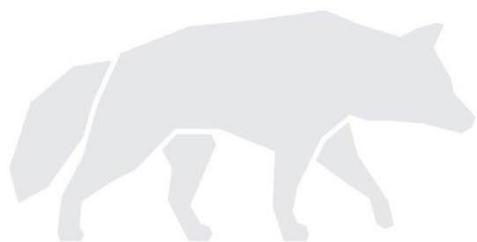
The \$200k in Director commitments stemming from the December financing are indicative of the confidence the Scout Board has in the direction the company heading into the New Year. What might not be evident to shareholders is that multiple pipeline deals in advanced discussions with Scout may include non-recurring engineering (NRE), prepayments and/or other cash considerations that would augment cash-at-bank. While we are never comfortable with an optically small cash balance, we are also confident that one or more commercial deals will be reached in the near future that can positively impact cash on hand.

It is a goal of the Company for RMR alone to balance monthly cash burn. This should be achieved in CY22. The Company currently has enough orders for cameras and kits from its white label partners, that if all those units were sold into the market, the resulting boost to recurring revenue would allow Scout to achieve cash flow breakeven on an RMR-only basis.

### *Capital Raisings & Facility Note Extension*

In December, subject to shareholder approval, Scout secured commitments for a \$650k capital raising comprising:

- A \$200k Placement to the Directors at a price of 8.75c which was 3x the last traded price of 2.9c at the date announced.
- A \$450k issuance of New Convertible Notes to institutional and sophisticated investors on the following terms:



- The conversion price is the lower of \$0.07 a share or at a 20% discount to any equity issuance during the term of the convertible notes, with a \$0.03 floor price.
- For every \$0.07 of New Convertible Notes issued, two \$0.07, 3-year, Options will be issued.
- Interest of 5% p.a. will be paid quarterly.
- The Maturity Date of the notes will be 31 December 2023.

The Company has also reached agreement, subject to shareholder approval, with holders of 94% of the Facility Notes currently on issue, to extend the maturity date of their notes from 16 July 2022 to 31 December 2023.

Please refer to the ASX Announcement titled 'Placement to Directors at 3x Market Price & CN extn & raise', dated 23 December 2021 for further details and the Notice of General Meeting dated 21 January 2022.

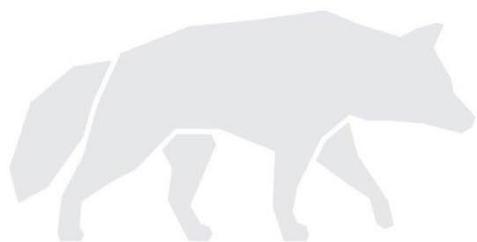
## Operational Achievements

The Company made exciting progress in the December quarter as it continued to gain momentum scaling sales of Scout-powered white label products at a rate stronger than expected and gaining a new partner. Being able to demonstrate consistent month-on-month recurring revenue growth through Windstream, which continues in January 2022, solidifies the credibility of the Company's white label model and demonstrates the potential of each new partner added. While pushing scaling efforts domestically, the Company also continued preparations to launch in new international markets.

The Company's launch with Windstream, its first US Telco partner, has exceeded expectations for performance to date. The Company had targeted a penetration of 10% of the total customer base. At present, we are seeing a 15% attach rate on new customers (who have been the focus of sales efforts to date). Soon, sales efforts will start expanding to target Windstream's ~1.4m existing customer base.

Hardware gross margins have also exceeded original estimates of 10% and Recurring Monthly Revenue (RMR) of A\$8.00 per customer have significantly exceeded our A\$4.70 per customer estimates. Since launch, Scout has added >A\$80k of annualised recurring revenue through this channel, and the Company is excited to report continued sales growth since our last white label update.

The Company's sales reach received a boost in the December quarter with the execution of a new partnership agreement with Hyperion Partners LLC, a master agent for T-Mobile and other carriers in the US. This new partnership will see Hyperion work to accelerate the placement of Scout's app-based DIY security products into various telecommunications channels in the USA. Penetrating the cellular carrier market is a strategic initiative in 2022 to supplement the growing momentum of Scout's internet service provider pipeline.



## Corporate

The Company has welcomed Ryan McCall to the team. Ryan's appointment as CEO was announced in December. He commenced on 3 January 2022 taking over from Dan Roberts who will transition focus from the day-to-day duties of the CEO to implementing the long-term strategic vision. Ryan's focus will be to lead Scout through the Company's next phase of growth as it expedites commercial rollout and grows to the scale that will fulfil Scout's potential.

## Outlook

The Company has ambitious goals for FY22 and the market can expect announcements on the following:

- The progress of sales by Scout's US telecommunications partners.
- Confirmation of the second Spanish-speaking country into which the Company will launch with Prosegur.
- Progress working through its robust pipeline of potential white label partners.

While the macro environment continues to flex under the ongoing challenges thrown up by COVID-19, the market for app-based security systems remains robust, supporting the growth outlook for Scout.

With the appointment of a new CEO and, subject to shareholder approval, the completion of the Capital Raisings and Facility Note extensions, the Company is well resourced to scale in 2022.

## Statements pursuant to ASX Listing Rule 4.7C.1

Payments to related parties and their associates during the quarter totalled \$91k, \$83k of which relates to executive remuneration, and \$8k for non-executive director fees.

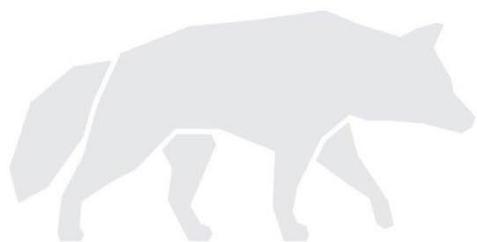
In reference to item 1.2(f) of the Appendix 4C, administration and corporate costs totalling \$559k were consistent with prior quarters..

In reference to item 1.2(e) of the Appendix 4C, staff costs totalling \$536k were marginally higher in the quarter due to the appointment of the new CEO.

In reference to item 1.2(b) of the Appendix 4C, product and operating costs totalling \$652k were lower in the quarter due to differences in timing for inventory payments. The Company retains sufficient funding to carry out its activities over the coming quarters based on current cashflow funding initiatives as described elsewhere in this report.

An Appendix 4C follows.

This ASX release has been authorised by Executive Director Dan Roberts and CEO Ryan McCall.



**For more information, please contact:**

**Ryan McCall**  
**Chief Executive Officer**  
[investors@scoutalarm.com](mailto:investors@scoutalarm.com)

**Dan Roberts**  
**Executive Director**  
[investors@scoutalarm.com](mailto:investors@scoutalarm.com)

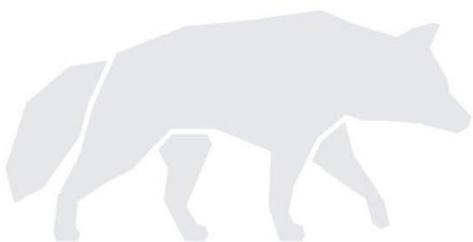
**Tim Dohrmann**  
**Investor and Media Enquiries**  
+61 468 420 846  
[tim@nwrcommunications.com.au](mailto:tim@nwrcommunications.com.au)

### **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 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.



# Appendix 4C

## Quarterly cash flow report for entities subject to Listing Rule 4.7B

Name of entity

SCOUT SECURITY LIMITED (ASX: SCT)

ABN

13 615 321 189

Quarter ended (Current quarter)

31 December 2021

**Consolidated statement of cash flows**

	Current Quarter \$A'000	Year to date (6 Months) \$A'000
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	715	1,365
1.2 Payments for:		
(a) research and development	-	-
(b) product manufacturing and operating costs	(652)	(1,563)
(c) advertising and marketing	(34)	(57)
(d) leased assets	-	-
(e) staff costs	(536)	(968)
(f) administration and corporate costs	(559)	(1,075)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	2	2
1.5 Interest and other costs of finance paid	-	(3)
1.6 Income taxes (paid) / refunded	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other: (provide details if material)	-	-
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(1,064)</b>	<b>(2,299)</b>
<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	-	-
(d) investments	-	-
(e) intellectual property	-	-
(f) other non-current assets	-	-
2.2 Proceeds from disposal of:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	-	-
(d) investments	-	-
(e) intellectual property	-	-
(f) other non-current assets	-	-
2.3 Cash flows from loans to other entities	-	-
2.4 Dividends received (see note 3)	-	-
2.5 Other (provide details if material)	-	-
<b>2.6 Net cash from / (used in) investing activities</b>	<b>-</b>	<b>-</b>

<b>Consolidated statement of cash flows</b>	<b>Current Quarter \$A'000</b>	<b>Year to date (6 Months) \$A'000</b>
<b>3. Cash flows from financing activities</b>		
3.1 Proceeds from issues of equity securities (excluding convertible debt securities)	-	-
3.2 Proceeds from issue of convertible debt securities	425	425
3.3 Proceeds from exercise of options	-	-
3.4 Transaction costs related to issues of equity securities or convertible debt securities	-	-
3.5 Proceeds from borrowings	-	-
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 Net cash from / (used in) financing activities</b>	<b>425</b>	<b>425</b>
<b>4. Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1 Cash and cash equivalents at beginning of period	703	1,903
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(1,064)	(2,299)
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)	425	425
4.5 Effect of movement in exchange rates on cash held	(6)	29
<b>4.6 Cash and cash equivalents at end of period</b>	<b>58</b>	<b>58</b>
<b>5. 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	58	703
5.2 Call deposits	-	-
5.3 Bank overdrafts	-	-
5.4 Other (provide details):	-	-
<b>5.5 Cash and cash equivalents at end of quarter</b> (should equal item 4.6 above)	<b>58</b>	<b>703</b>
<b>6. Payments to related parties of the entity and their associates</b>		<b>Current quarter \$A'000</b>
6.1 Aggregate amount of payments to related parties and their associates included in item 1		91
6.2 Aggregate amount of payments to related parties and their associates included in item 2		-
Note: if any amounts are shown in items 6.1 and 6.2 your quarterly activity report must include a description of, and an explanation for, such payments <div style="border: 1px solid black; height: 20px; width: 100%; margin-top: 5px;"></div>		

<b>7. Financing facilities</b>	<b>Total facility amount at quarter end \$A'000</b>	<b>Amount drawn at quarter end \$A'000</b>
Note: the term "facility" includes all forms of financing arrangements available to the entity. Add notes as necessary for an understanding of the sources of finance available to the entity.		
7.1 Loan facilities	-	-
7.2 Credit standby arrangements	-	-
7.3 Other (please specify):	2,000	1,162
<b>7.4 Total financing facilities</b>	<b>2,000</b>	<b>1,162</b>

7.5 **Unused financing facilities available at quarter end** 838

7.6 Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.

On 16 July 2020 the company entered into a convertible note deed to raise up to \$2M (Refer ASX announcement dated 16-Jul-20). An initial drawdown of \$750,000 has been completed. The term is 2 years with an extension to 31 December 2023 agreed by the noteholders, subject to shareholder approval to be held on 18 January 2022, interest of 5% p.a. is payable on drawn funds, accruing daily and paid quarterly. To date there have been conversions to ordinary fully paid shares totaling \$112,500. Also subject to shareholder approval at the same shareholder meeting will be the approval to issue a new convertible note of \$450k and the placement to directors of \$200k (see commentary accompanying this appendix for details of the note). Refer to ASX Announcement titled 'Placement to Directors at 3x Market Price & CN extn & raise', dated 23 December 2021.

<b>8. Estimated cash available for future operating activities</b>	<b>\$A'000</b>
8.1 <b>Net cash from / (used in) operating activities</b> (Item 1.9)	(1,064)
8.2 Cash and cash equivalents at quarter end (Item 4.6)	58
8.3 Unused finance facilities available at quarter end (Item 7.5)	825
8.4 Total available funding (Item 8.2 + Item 8.3)	883
8.5 <b>Estimated quarters of funding available</b> (Item 8.4 divided by Item 8.1)	0.8

Note: if the entity has reported positive net operating cash flows in item 1.9, answer item 8.5 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.5.

8.6 If Item 8.5 is less than 2 quarters, please provide answers to the following questions:

1. Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?

Answer:

Yes

2. Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?

Answer:

Yes, \$200k placement to the directors and a new \$450k convertible note, both subject to shareholder approval on 18 February 2022. Refer to the ASX Announcement titled 'Placement to Directors at 3x Market Price & CN extn & raise', dated 23 December 2021 for further details and the Notice of General Meeting dated 21 January 2022.

3. Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Answer:

Yes, subject to receiving shareholder approval to achieve its cash requirements needs for the next quarter.

Note: where item 8.5 is less than 2 quarters, all of questions 8.6.1, 8.6.2 and 8.6.3 above must be answered.

## 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.

Date: Monday, 31 January 2022

Authorised by: By Dan Roberts Executive Director & Ryan McCall  
CEO  
(Name of body or officer authorising release – see note 4)

## Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow 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 cash flow 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.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – e.g. Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.