

Scout Security (ASX: SCT) is a white label security-as-a-service platform and product suite powering recurring revenue for some of the largest security, internet service and telco providers in the world.



## ASX RELEASE

31 July 2024

# 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 30 June 2024 and update on business progress.

## Highlights of the June Quarter

- **Cash receipts of AU\$444k in June quarter, primarily through monthly recurring revenue**
- **Recurring monthly revenue streams total AU\$1.12m in annualised recurring revenue (ARR)**
- **First purchase order received from Intelligent Monitoring Group (ASX: IMB) under partnership to bring white label DIY security to Australia and NZ**
- **Origin Wireless AI committed to AU\$257k Placement as part of the ongoing recapitalisation of Scout**
- **Cost saving initiatives implemented to save \$1m/year**
- **Recapitalisation positions Scout for growth in FY25, with a \$4.376m package of equity commitments and debt conversion**

## Financial Highlights

Scout generated quarterly cash inflows from operations of AU\$444k, primarily through monthly recurring revenue and white label development fees. Over the first half of CY24, Scout has implemented cost saving initiatives expected to exceed \$1 million per year.

Monthly recurring revenue (MRR) totalled \$279k for the quarter, which is roughly flat quarter over quarter, despite an increase in Windstream subscribers, due to seasonal fluctuations in direct-to-consumer subscriptions.

The Company remains focused on growing subscriptions through its white label program, which continues to yield net new customer adds each month. Growth in Scout's MRR through its white label program reflects sell-through and activation of Scout-powered



security systems, and over time, growth in MRR also decreases the significance of hardware purchase orders to the Company's cash flows.

The Company continues to progress opportunities with current partners and its sales pipeline to deliver revenue growth. The Company held cash at bank of AU\$164k as at 30 June 2024 and is now finalising a recapitalisation to support Scout's working capital and growth initiatives.

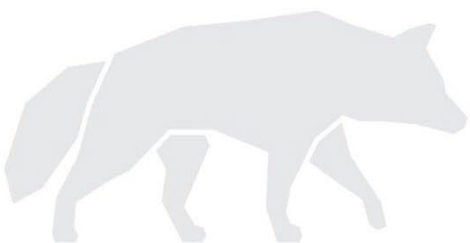
This recapitalisation is expected to be finalised in August 2024 and comprises:

- Tranche 1 – 29,604,957 Placement shares issued to professional and sophisticated investors at an issue price of \$0.004 per share under SCT's existing Listing Rule 7.1 placement capacity, raising \$118,420 (before costs).
- Tranche 2 – 64,250,000 Placement shares issued, including 56,750,000 Placement shares to a strategic Investor, Origin Wireless, Inc, at an issue price of \$0.004 per share to raise a further \$257,000 (before costs). The Tranche 2 Placement was subject to shareholder approval under listing rule 7.1 which was granted at an Extraordinary General Meeting (EGM) on 25 July 2024.
- Non-renounceable Rights Issue to raise up to \$1.57m (inclusive of the T1 and T2 Placements) at the Placement price, underwritten for \$458k with \$166k in additional shortfall commitments.
- All new shares to be issued at \$0.004 a share with one free attaching option (exercisable at \$0.005 within 2 years of the issue of Tranche 1 Placement shares) for every share issued.
- Investors holding all of the Company's outstanding convertible notes (worth \$1.48 million) and US\$1.34 million (A\$2.07 million at an agreed exchange rate of US\$0.65:A\$1) of secured loan notes have agreed to convert to equity on the same terms as the placement and rights issue.

During the quarter, the Company also provided notice of a proposed share consolidation at a ratio of 100:1, approval for which was granted by shareholders on 25 July 2024 with an effective date of Friday 2 August 2024. The consolidation provides a more appropriate and effective capital structure for the Company and a share price more appealing to a wider range of investors.

In accordance with Listing Rule 7.21 and 7.22.1, all Options, Performance Rights and Warrants currently on issue by the Company will be consolidated in the same ratio as Shares, and the exercise price of the Options and Warrants will be amended in accordance with the ASX Listing Rules.

## Operational Achievements



During the quarter, Scout signed a Master Service Agreement with leading security and monitoring company Intelligent Monitoring Group (ASX: IMB). IMG is Australia's biggest and fastest-growing home security group and owns the local business of ADT Security, a globally recognised brand.

The partnership will see the development and roll out of both hub-and-spoke and Wi-Fi sensing DiY home security offerings to consumers through IMB's various sales channels within Australia and New Zealand. As these markets are largely untapped by affordable do-it-yourself security solutions, Scout and IMB are confident in our combined efforts to capture a substantial portion of the market. In May, IMB placed an initial hardware order of A\$250k to support a sales launch anticipated in Q1 FY25.

Following its announcement in November of a white label partnership deal with Origin Wireless AI, Scout has developed and delivered a complete white label Wi-Fi sensing home security platform to Origin. The companies continue to work jointly to develop and commercialize WiFi Sensing into a complete home automation and security solution.

During the quarter, US sales of the Scout-powered white labelled telco home security solution continued to develop. Sales through the Company's first US ISP white label partner, Windstream, continued to grow through the quarter as Windstream actively marketed the Scout-powered DIY home security solution via e-commerce to its existing customer base.

With the value of this channel now proven, Scout and Windstream remain in discussions regarding offering more Scout products on the Windstream platform, and potentially transitioning Windstream to Wi-Fi Motion Sense and moving beyond the hub model.

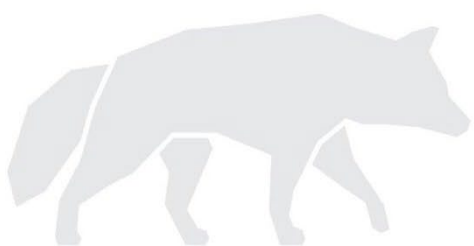
The partnership between Scout and Lumen Technologies, Inc ((NYSE: LUMN), "Lumen") continued productively during the quarter as the parties work towards agreeing a Statement of Work (SoW), and initial hardware purchase as next steps following the Master Services Agreement signed in September 2023. Lumen is a full-service US telco with 5 million broadband subscribers, adding 20,000 new broadband subscribers monthly, and US\$20bn in annual revenue.

Commercial launch through Lumen of Scout's motion sense home security product will underpin recurring revenue growth and open a new addressable market of consumers wanting a "light" home security system as a stepping stone that can be built up over time.

During the quarter, Scout also released an updated Investor Presentation to the market, which was presented by CEO Ryan McCall to the NWR Security Technology Virtual Investor Conference in July.

Scout Security CEO Ryan McCall, said:

*"The June quarter saw Scout continue to execute its white label expansion strategy while also recapitalising the business to fund anticipated growth. During the quarter, we were delighted to welcome Intelligent Monitoring Group as a white label partner for the AU/NZ market. IMG is Australia's biggest and fastest-growing home security group and owns the local business of*



*ADT Security, a globally recognised brand. With the initial hardware order placed, we look forward to launching and selling our jointly developed security products and services into the Australia and New Zealand markets in Q1 FY25. Through other white label partners, we are now proving the WiFi Sensing security sales model, and continue to view this next generation offering as a catalyst to accelerate our growth.*

*"We are grateful to have secured the support of new and existing investors through Scout's \$4.4m recapitalisation. We have achieved more than \$1 million in annual cost savings in CY24 to date, and following this recapitalisation, the Company will be positioned to sustain itself for at least 12 months on its current expected revenue base. The funds raised will provide the time needed for already-secured enterprise partners to launch and scale Scout's white label security-as-a-service platform and product suite.*

*"As these rollouts take shape, those same partners will demonstrate the power of our next-generation, white label WiFi Sensing security offerings. In the year ahead we plan to deliver revenue growth through the launch of Lumen, Windstream growth, and launching our partnership in Australia with Intelligent Monitoring Group. With a stronger balance sheet, we remain focused on executing Scout's growth strategy and look forward to delivering value for the Company's customers, partners and investors."*

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

Payments to related parties and their associates during the quarter totalled AU\$66k, relating to directors' salaries and convertible note and secured debt interest accruing to directors.

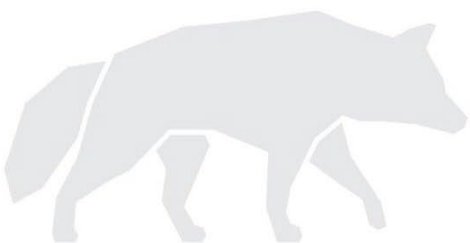
Quarterly expenditure was in line with internal budgets and was focused on these areas:

- In reference to item 1.2(f) of the Appendix 4C, administration and corporate costs totaling AU\$139k were lower than the previous quarter while within the average quarterly range for these costs.
- In reference to item 1.2(e) of the Appendix 4C, staff costs totaling AU\$310k were lower than the previous quarter while within the average quarterly range for employee expenses.
- In reference to item 1.2(b) of the Appendix 4C, product manufacturing and operating costs totaling AU\$169k were higher than the prior quarter while within the average quarterly range for these costs.

The Company retains sufficient funding to carry out its activities over the coming quarters based on current funding initiatives as described elsewhere in this report.

An Appendix 4C report follows.

This ASX release has been authorised by CEO Ryan McCall and the Board of Directors of Scout Security Ltd.



**For more information, please contact:**

**Ryan McCall**

**Chief Executive Officer**

[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)

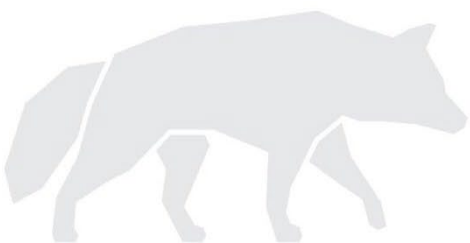
### **About Scout Security Limited**

Scout Security Limited (ASX: SCT) is a white label security-as-a-service platform and product suite powering recurring revenue for some of the largest security, internet service and telecommunications providers in the world. Scout's simple and affordable DIY approach puts security within reach for millions of residential homes, small-to-medium businesses and multi-tenant buildings.

Scout was recognised as one of Forbes' "Best Home Security Companies of 2022" and was named the "Best Contract-Free Home Security System Provider of 2024" by CBS Essentials. 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.

Stay in touch and engaged with Scout by joining our Investor Hub at <https://investorhub.scoutalarm.com>



## 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")**

30 JUNE 2024

<b>Consolidated statement of cash flows</b>	<b>Current quarter \$A'000</b>	<b>Year to date (12 Months) \$A'000</b>
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	444	1,989
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating costs	(169)	(672)
(c) advertising and marketing	-	(11)
(d) leased assets	-	-
(e) staff costs	(310)	(2,045)
(f) administration and corporate costs	(139)	(793)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	-
1.5 Interest and other costs of finance paid	(37)	(253)
1.6 Income taxes paid	-	-
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>(211)</b>	<b>(1,785)</b>
<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	-	-
(d) investments	-	-
(e) intellectual property	-	-
(f) other non-current assets	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 Months) \$A'000
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</b>	<b>Net cash from / (used in) investing activities</b>	<b>-</b>	<b>-</b>

<b>3.</b>	<b>Cash flows from financing activities</b>		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	118	118
3.2	Proceeds from issue of convertible debt securities	-	-
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	-	973
3.6	Repayment of borrowings	(93)	(421)
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other: Share Application	232	232
<b>3.10</b>	<b>Net cash from / (used in) financing activities</b>	<b>257</b>	<b>902</b>

<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 period	121	1,052
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(211)	(1,785)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 Months) \$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	257	902
4.5	Effect of movement in exchange rates on cash held	(3)	(5)
4.6	<b>Cash and cash equivalents at end of period</b>	<b>164</b>	<b>164</b>

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	164	121
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>164</b>	<b>121</b>

6.	Payments to related parties of the entity and their associates	Current quarter \$A'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	66
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-
<p><i>Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments.</i></p> <p>Note to 6.1: Salaries to Directors</p>		



<p><b>7. Financing facilities</b></p> <p><i>Note: the term 'facility' includes all forms of financing arrangements available to the entity.</i></p> <p><i>Add notes as necessary for an understanding of the sources of finance available to the entity.</i></p>	<p><b>Total facility amount at quarter end \$A'000</b></p>	<p><b>Amount drawn at quarter end \$A'000</b></p>
7.1 Loan facilities	3,559	3,559
7.2 Credit standby arrangements	-	-
7.3 Other (please specify)	1,475	1,475
7.4 <b>Total financing facilities</b>	5,034	5,034
7.5 <b>Unused financing facilities available at quarter end</b>		-
<p>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.</p>		
<p>7.1 In the June 2023 quarter, the company entered into a new finance facility with a syndicate of mostly US-based investors. (Refer to ASX announcement dated 28 April 2023). Facility includes rollover of previous debts and additional funds totalling \$3.356M AUD drawn at 30 June 2024. Interest rate is 12.0% per annum with a term of five (5) years.</p> <p>Stripe credit card loan balance at 30 June 2024 was \$14k AUD. Loan and interest being repaid from ARR receipts.</p> <p>Three new facilities were entered into during the March 2024 quarter.</p> <p>New unsecured term loan in the amount of \$30k USD from Intuit. Interest rate is 18.0% per annum with a term of two (2) years.</p> <p>New Future Receipts Sale and Purchase Agreement of \$72k USD with Arsenal for \$99k of future receipts. Term is 28 weeks.</p> <p>New Future Receipts Sale and Purchase Agreement of \$99k USD from Credibly for \$122k of future receipts. Term is 40 weeks. Balance of both loans at 30 June 2024 was \$189k AUD.</p> <p>7.3 On 16 July 2020, the company entered into a convertible note deed to raise up to \$2M (Refer ASX announcement dated 16 July 2020). During the March 2021 quarter, the Company secured a new Convertible Note Facility to raise \$450k on the same terms as the existing facility.</p> <p>A total net drawdown of \$1,475,000 has been completed. The original term matured on 31 December 2023, interest of 5% p.a. was payable on drawn funds. Investors entered into an extension of the notes with mature date of 31 December 2024, interest of 12.5% p.a. payable on drawn funds. (Refer to ASX announcement dated 28 December 2023).</p> <p>Conversion of notes and secured debt was recently approved at an EGM on 25 July 2024. Loan facilities referenced in 7.1 will be reduced by \$2.068M and convertible notes referenced in 7.3 above will be reduced by \$1.475M to nil.</p>		

<b>8.</b>	<b>Estimated cash available for future operating activities</b>	<b>\$A'000</b>
8.1	Net cash from / (used in) operating activities (item 1.9)	(211)
8.2	Cash and cash equivalents at quarter end (item 4.6)	164
8.3	Unused finance facilities available at quarter end (item 7.5)	-
8.4	Total available funding (item 8.2 + item 8.3)	164
8.5	<b>Estimated quarters of funding available (item 8.4 divided by item 8.1)</b>	<b>.78</b>
<p><i>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.</i></p>		
8.6	If item 8.5 is less than 2 quarters, please provide answers to the following questions:	
8.6.1	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?	
	<p>Answer: Future incurred expenses have been reduced from prior quarters; however, future operating cash expected to increase due to paying short term liabilities.</p>	
8.6.2	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?	
	<p>Answer: The company is undergoing a placement and rights issue expected to finalize in August 2024. Please see Notice of Meeting ASX announcement dated 20 June 2024.</p>	
8.6.3	Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?	
	<p>Answer: Yes, due to placement and rights issue expected to finalize in August 2024.</p>	
<p><i>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.</i></p>		

## 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.

31 July 2024

Date: .....

Board of Directors

Authorised by: .....  
(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 – eg 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.