

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

30 April 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 31 March 2024 and update on business progress.

## Highlights of the March Quarter

- **Cash receipts of AU\$532k in March quarter, primarily through monthly recurring revenue**
- **Recurring monthly revenue streams total AU\$1.2m in annualised recurring revenue (ARR)**
- **Signed master service agreement (MSA) with Intelligent Monitoring Group (ASX: IMB) to bring white label DiY security to Australia and New Zealand**
- **Scout's Wi-Fi sensing-based solution is expected to proceed to commercialisation in 2024 through Lumen Technologies and is extendable to other ISPs and telco carriers globally**
- **Raised ~AU\$455k in additional funding through various financing facilities to support working capital. The Company is now finalising a recapitalisation to support Scout's working capital and growth initiatives**
- **32% reduction in staff costs enacted near the end of the quarter, to be realized on a move forward basis**

## Financial Highlights

Scout generated quarterly cash inflows from operations of AU\$532k, primarily through monthly recurring revenue and white label development fees. Although administration and corporate costs and staff costs increased from the December quarter, the Company has recently implemented cost saving initiatives expected to exceed \$1 million per year.

Monthly recurring revenue (MRR) totalled \$301k for the quarter.



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.

In February, the Company announced that it had raised US\$200k (AU\$306k) of additional capital into its Loan Note Facility. Scout has now accepted AU\$3.28m in aggregate from investors under this facility.

The Company also entered into three new financing facilities during the quarter (terms detailed in Appendix 4C report): an unsecured loan of US\$30k from Intuit, a Future Receipts Sale and Purchase Agreement of US\$72k with Arsenal for US\$99k of future receipts, and a Future Receipts Sale and Purchase Agreement of US\$99k from Credibly for US\$122k of future receipts.

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\$121k as at 31 March 2024 and is now finalising a recapitalisation to support Scout's working capital and growth initiatives.

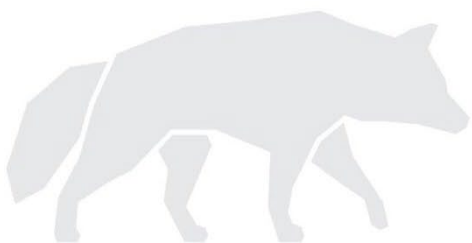
## Operational Achievements

Scout has signed a Master Service Agreement with leading security and monitoring company Intelligent Monitoring Group (ASX: IMB). 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 later this calendar year. As these markets are largely untapped by affordable do-it-yourself security solutions, we are confident in our combined efforts with IMB to capture a substantial portion of the market.

Following its announcement in November of a white label partnership deal with Origin Wireless AI, under which Scout will develop a version of its white-label Wi-Fi sensing home security solution on behalf of Origin, Scout completed the deliverables under the SoW in January 2024 delivering a complete white label Wi-Fi sensing home security platform to Origin.

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.

Scout and Lumen met multiple times during the quarter to discuss the roadmap for rolling out the Scout-powered smart security and control platform under Lumen's brand in the months ahead. Commercial launch of Scout's motion sense home security product will underpin recurring revenue growth and open a new addressable market for Scout of consumers wanting a "light" home security system as a stepping stone that can be built up over time.

To optimize the efficiency of Scout's operations while working towards the launch of new white label partners, the Company reduced overall staff costs by 32% near the end of the quarter. This was achieved through a work force reduction, as well as overall salary reduction for the staff. These changes will translate to ~US\$50k (\$AU76k) in monthly savings.

Scout Security CEO Ryan McCall, said:

*"The March quarter saw our white label sales continue to expand in partnership with US telco provider Windstream. Although all parties would have preferred a quicker rollout, the progress of our partnership with larger US telco, Lumen Technologies, is providing encouraging signs that there is a very real opportunity not only to take what we are doing with Windstream to a much larger market, but also to commercialise our leadership position in applying Wi-Fi motion sensing technology. We remain on target to monetise this leadership position in 2024 in both the US and Australian markets."*

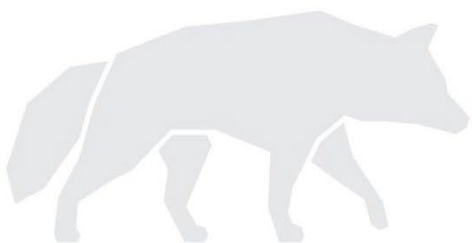
*"With the addition of IMB to our group of white label partners, we are very excited to bring DiY home security to the Australian and New Zealand markets. At the same time we continue to work multiple exciting opportunities through Scout's sales pipeline, which is the most robust it's been in the Company's 11 year history, and look forward to updating investors on these partnerships in the near future. Having improved efficiencies across our business with significant cost reductions implemented during the quarter, we are now focused on finalising a recapitalisation which will ensure that the Company is sufficiently funded to execute its near-term growth plans."*

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

Payments to related parties and their associates during the quarter totalled AU\$156k, 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\$245k were higher 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\$577k were higher 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\$89k were lower 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 cashflow 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:**

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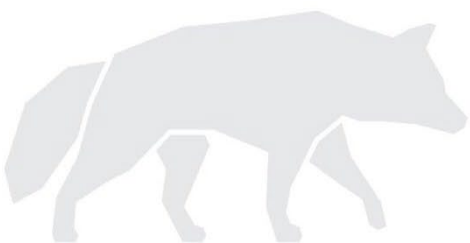
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**About Scout Security Limited**

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.



## 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 MARCH 2024

<b>Consolidated statement of cash flows</b>	<b>Current quarter \$A'000</b>	<b>Year to date (9 Months) \$A'000</b>
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	532	1,545
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating costs	(89)	(503)
(c) advertising and marketing	(1)	(11)
(d) leased assets	-	-
(e) staff costs	(577)	(1,560)
(f) administration and corporate costs	(245)	(830)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	-
1.5 Interest and other costs of finance paid	(20)	(216)
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>(400)</b>	<b>(1,575)</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 (9 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)	-	-
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	455	973
3.6	Repayment of borrowings	-	(327)
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>455</b>	<b>646</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	58	1,052
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(400)	(1,575)
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 (9 Months) \$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	455	646
4.5	Effect of movement in exchange rates on cash held	8	(2)
4.6	<b>Cash and cash equivalents at end of period</b>	<b>121</b>	<b>121</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	121	58
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>121</b>	<b>58</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	156
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 and con note interest to Directors</p>		

<b>7.</b>	<b>Financing facilities</b> <i>Note: the term "facility" includes all forms of financing arrangements available to the entity.</i> <i>Add notes as necessary for an understanding of the sources of finance available to the entity.</i>	<b>Total facility amount at quarter end \$A'000</b>	<b>Amount drawn at quarter end \$A'000</b>
7.1	Loan facilities	3,618	3,618
7.2	Credit standby arrangements	-	-
7.3	Other (please specify)	1,475	1,475
7.4	<b>Total financing facilities</b>	5,093	5,093
7.5	<b>Unused financing facilities available at quarter end</b>  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>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 \$3.280M AUD drawn at 31 March 2024. Interest rate is 12.0% per annum with a term of five (5) years.</p> <p>Stripe credit card loan balance at 31 March was \$40k AUD. Loan and interest being repaid from ARR receipts.</p> <p>Three new facilities were entered into.</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.</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>		

<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)	(400)
8.2	Cash and cash equivalents at quarter end (item 4.6)	121
8.3	Unused finance facilities available at quarter end (item 7.5)	-
8.4	Total available funding (item 8.2 + item 8.3)	121



**8.5 Estimated quarters of funding available (item 8.4 divided by item 8.1)**

.30

*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:**

**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?**

Answer: No, we have materially reduced staff costs by 32% which result in reduced net cash losses on a move forward basis.

**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?**

Answer: The company has raised intermediate funds in the quarter through its debt facility and other financing mechanisms detailed the commentary. The company has further undergone a trading halt to execute on recapitalization of the business through a LR7.1 placement, rights issue, and debt to equity conversion.

**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?**

Answer: Yes, upon completion of the recapitalization the company will have a reduced debt load on its balance sheet, thus reducing interest payments, as well as a new cash infusion to fund operating activities for the foreseeable future.

*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.

30 April 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.