

ASX RELEASE

28 February 2022

Financial Results for the Half-Year Ended 31 December 2021

Home security provider Scout Security Ltd ((ASX: SCT), "Scout" or "the Company") is pleased to provide its Interim Financial Report for the six months ending 31 December 2021.

Highlights

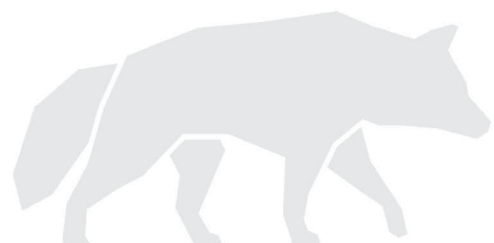
During H1 FY22, Scout:

- **Earned revenues of \$2,416,947 (up 174% from H1 FY21 \$881,447)**
- **Continued the ramp up of the Windstream roll out ,**
 - **Achieved 15% attach rate on new customers (50% above the modelled rate)**
 - **Improved its margin structure, with hardware gross margins exceeding original estimates of 10% and Recurring Monthly Revenue (RMR) of A\$8.00 per customer on new customers added significantly exceeding prior estimates of A\$4.70 per customer**
- **Continued marketing activities in Peru alongside strategic partner Prosegur, while also preparing for the launch of Scout-powered products in a second Spanish-speaking market**
- **Boosted its sales reach with the execution of a new partnership agreement with Hyperion Partners LLC**

Financial and Operational Performance

During H1 FY22, the Scout team continued the ramp up of the roll out with Windstream, leading to revenue of \$2,416,947 (up from H1 FY21 \$881,447) and generating cash receipts of \$1,364,442. Orders, as announced on January 31, 2022, in the December 2021 4C, drove annualized recurring revenue to approximately \$80,000, which is expected to continue to grow as the Company's operations expand.

EBITDA in the period was a loss of \$1,438,541 (H1 FY21 loss \$989,105). The main drivers of expenditure growth against the same period last financial year were additional consulting and professional fees totaling approximately \$280,000 which related to outsourced



engineering for development on our web application, and fees resulting from the CEO recruitment search, and additional employee expenses totaling approximately \$200,000 associated with several new employees across sales, program management, and customer service.

As at 31 December 2021, the Company had a cash balance of \$129,450. As announced on 23 December 2021, the Company conducted a \$650k capital raise, which was enthusiastically supported by the Company's Directors at a substantial (3x) premium to the Company's share price at the time. Shareholder approval for the capital raise was granted at a General Meeting held on 18 February 2022 and the Company will shortly receive the full funds of the new convertible note and Director shares. As a result, the Company is now well-resourced to scale up in 2022 with the proceeds from capital raising, a strengthened management team and line of sight on cash flow break-even as units from binding orders received are sold and activated.

Strategy Delivery

During the half year period, the Scout team commenced a partnership with Windstream, its first US telecommunications partner, targeting approximately 10% penetration of their 1.4 million residential customer base in the medium term (18-24 months). However, in company forecasts we are modeling a more conservative value of 24 thousand customers by end of CY22 which should generate sufficient RMR to reach cash flow break even

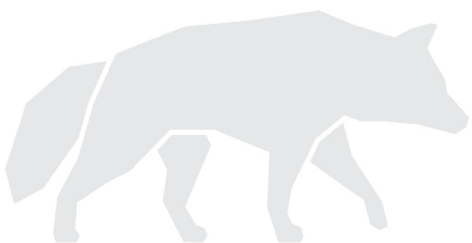
The Company's Windstream launch has exceeded expectations for performance to date, achieving a 15% attach rate on new customers (who have been the focus of sales efforts to date), which was 50% above the modelled rate.

The Windstream partnership has achieved consistent month-on-month recurring revenue growth beyond the reporting period through to February 2022, solidifying the credibility of the Company's white label model and demonstrating the potential of each new partner added.

Hardware gross margins have also exceeded original estimates of 10% and Recurring Monthly Revenue (RMR) of A\$8.00 per customer have significantly exceeded the Company's A\$4.70 per customer estimates. While pushing scaling efforts domestically, the Company also continued preparations to launch in new international markets.

Scout was involved in ongoing marketing activities in Peru, alongside its partner Prosegur, while also preparing for the launch of Qido in a second market. The commercial partnership with Prosegur builds on Scout's existing relationship with the European security leader as a strategic investor in the Company. Work to roll out into the second country is substantially completed as Scout anticipates an announcement from Prosegur on launch timing.

The Company's sales reach received a boost 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.

Scout has reached agreement with its key camera supplier granting the Company exclusive distribution rights of the camera system in the US, while reducing the minimum order quantity required. Further, the agreement locked the cost from any price increases by granting the supplier, depending on volume, between \$0.14 and \$0.56 per camera sold. Whilst this is not expected to have a material impact on the financial performance of the Company, it does provide operational flexibility and further validates Scouts credibility in the market.

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 the recent completion of the Capital Raisings and Facility Note extensions, the Company is well resourced to gain scale in 2022.

Management Commentary

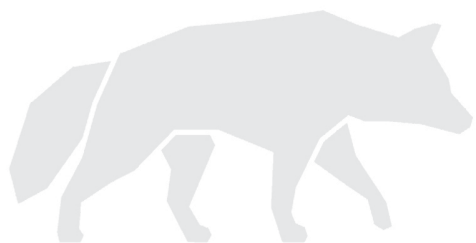
Scout Security CEO, Ryan McCall, said:

"We are very encouraged by the exciting developments over the last half year in relation to Scout's expansion into new markets and growth in sales.

"Our partnership with Windstream has exceeded expectations in penetrating the US market and achieved consistent month-on-month recurring revenue growth since its commencement. Scout has also continued to progress marketing activities in Peru, alongside our partner Prosegur, while also preparing for the launch of Qido in a second Spanish-speaking market. In addition, our sales reach is now stronger after we executed a new partnership agreement with Hyperion Partners.

"Importantly, our gross margins on hardware have strengthened more than expected, as has our recurring monthly revenue. Throughout 2022, we expect to see the successful execution of our growth strategy translate into sustainable gains in the scale of our business and consistent increases in recurring revenue, in line with product launches with new and existing partners."

This ASX release has been authorised by the Board of Directors of Scout Security Ltd.



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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 recognized as one of Forbes "Best Home Security Companies of 2022", and 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.

