

**ASX RELEASE**

26 July 2021

## 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 2021 and update on business progress.

### Highlights of the June Quarter

- **Quarterly cash receipts of A\$1.4m (US\$1m), mostly from hardware sales, exceeding the total cash receipts earned in the previous three quarters of FY21**
- **Reported Cash Burn for the quarter of -\$15k**
- **Delivery of stock to Scout's US telecommunications partner which is currently training a large sales team pending market launch**
- **Scout's Prosegur-branded, app-based security suite, Qido, continues to build awareness following successful launch in Peru in previous quarter**
  - **Second Spanish-speaking market selected for Qido**
- **Senior sales executive with 20+ years of business development experience in telco industry hired to drive Scout's pipeline**

Scout Security CEO, Dan Roberts, said:

*"We are very pleased to present our June quarter results which show meaningful hardware revenue from our white label partnerships strategy. Further, we have enough orders in our supply chain which when sold through to end users will be the base of recurring monthly revenue ("RMR") sufficient to bring us to a consistent cashflow break even.*

*"In the last quarter, we delivered initial stock to our US telecommunications partner, which is currently in the process of finalising sales training for launch. We also continued our work with Prosegur, helping with the launch of Scout-powered Qido in Peru and we progressed development work for Prosegur's second country, which we expect to announce soon. Launching into Spanish speaking countries without the white label program would have been impossible without Prosegur's partnership, which further highlights the value of the white label model.*

*"Also during the quarter, in anticipation of progressing our highly prospective pipeline of white label partners, we boosted our US sales capability with the recruitment of a business development executive who brings more than two decades of experience in the telco sector."*



## Financial Highlights

Scout generated cash receipts of A\$1.4m (~US\$1m) in Q4 FY21, which is more than 5x the cash receipts of the March quarter and effectively doubles the cash receipts earned in the first three quarters of FY21 to a total of A\$2.7m.

Although Scout almost achieved a break-even Operating Net Cash during the quarter reporting an outflow of A\$15k, Scout has an upcoming payment of approximately A\$500k to a hardware supplier for goods delivered in the quarter. Whilst this does mean a pro-forma cash burn of ~A\$475k, it does however demonstrate the positive effect of the Company's working capital cycle i.e. it receives cash from white label partners before it is due to suppliers.

## Milestones Achieved

Scout delivered a rise in sales in the June quarter on the back of hardware sales, per the continuing program agreed with our US telecommunications partner.

Scout has this financial year delivered stock to partners in two key markets on two continents. In doing so, Scout has been successful in working with its partners to reduce prices and improve quality, all the while maintaining margins and remaining within agreed delivery schedules. Furthermore, the Company has overcome challenges presented by COVID's impact on the international supply chains.

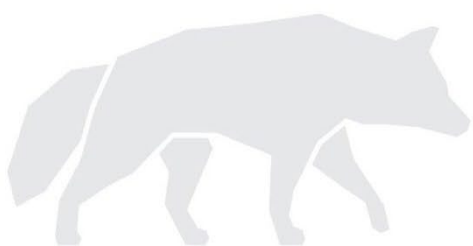
To reinforce Scout's US presence and help convert its sales pipeline, the Company has appointed a new sales executive who has brought in established relationships in the US communications market, across Tier 1 global carriers such as Verizon, AT&T, Sprint, T-Mobile, US Cellular, and Telefonica, as well as several Tier 2-3 rural US carriers.

## Outlook

The Company has ambitious goals for the second half of CY21 and the market can expect announcements on the following:

- The launch of sales by Scout's US telecommunications partner. Product has been delivered and their sales force is currently undergoing launch training. Scout continues to receive monthly orders per the agreed and announced order program. This will underpin hardware sales and lead to an increase in recurring revenue as each new system is activated by end users.
- Scout expects to announce the second Spanish-speaking country into which the Company will launch with Prosegur. This will add to hardware sales and should also lead to growth in recurring revenue.
- As previously announced, the Company continues to develop and work a pipeline of potential white label partners which led to the appointment of a new executive. The Company is progressing discussions.

As previously stated, it is the goal of the Company to reach breakeven on a cashflow basis by the end of CY21. This would include all revenue sources (Development Fees, Hardware Sales and RMR).



It is a further 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 end-user market, the resulting boost to recurring revenue would allow Scout to achieve cash flow breakeven on an RMR-only basis.

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.

## Corporate

### *Investor Webinar Presentation*

In June, Scout CEO Dan Roberts held an Investor Webinar Presentation to update shareholders on the progress of the Company.

A recording of the webinar can be viewed at [BrokerBriefing.com](https://www.brokerbriefing.com).

### *Statements pursuant to ASX Listing Rule 4.7C*

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

Payments to related parties and their associates during the quarter totalled \$87k, \$52k of which relates to executive remuneration, and \$35k for non-executive director fees.

In reference to item 1.2(f) of the Appendix 4C, administration and corporate costs totalling \$353k were lower in the quarter, due to the timing of paying creditors.

In reference to item 1.2(e) of the Appendix 4C, staff costs totalling \$463k were higher in the quarter, due to timing of payments and additional new hires.

In reference to item 1.2(b) of the Appendix 4C, product and operating costs totalling \$544k were higher in the quarter which are directly attributable to the higher level of product sales.

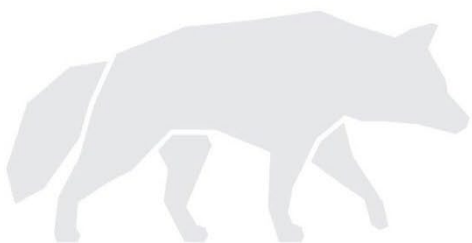
An Appendix 4C follows.

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

### **For more information, please contact:**

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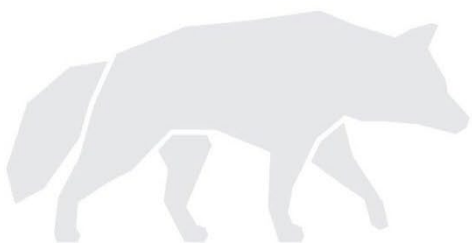


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## About Scout Security Limited

Scout Security Limited (ASX: SCT) 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 cash flow report for entities subject to Listing Rule 4.7B

**Name of entity**

Scout Security Limited

**ABN**

13 615 321 1189

**Quarter ended ("current quarter")**

30 June 2021

<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	1,367	2,832
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating costs	(544)	(1,207)
(c) advertising and marketing	(9)	(38)
(d) leased assets	-	-
(e) staff costs	(463)	(1,622)
(f) administration and corporate costs	(353)	(2,092)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	-
1.5 Interest and other costs of finance paid	(13)	(48)
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>(15)</b>	<b>(2,175)</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)	-	3,500
3.2	Proceeds from issue of convertible debt securities	-	750
3.3	Proceeds from exercise of options	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	(7)	(251)
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</b>	<b>Net cash from / (used in) financing activities</b>	<b>(7)</b>	<b>3,999</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	1,909	62
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(15)	(2,175)
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)	(7)	3,999
4.5	Effect of movement in exchange rates on cash held	3	4
4.6	<b>Cash and cash equivalents at end of period</b>	<b>1,890</b>	<b>1,890</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	1,890	1,909
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>1,890</b>	<b>1,909</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	87
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-
<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>		

<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	-	-
7.2	Credit standby arrangements	-	-
7.3	Other (please specify) Convertible Note facility	1,963	713
7.4	<b>Total financing facilities</b>	-	-
7.5	<b>Unused financing facilities available at quarter end</b>		1,250
7.6	<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>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, 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 totalling \$37,500. Subsequent to the 30 June quarter there was a further conversion of \$75,000.</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)	(15)
8.2	Cash and cash equivalents at quarter end (item 4.6)	1,890
8.3	Unused finance facilities available at quarter end (item 7.5)	1,250
8.4	Total available funding (item 8.2 + item 8.3)	3,140
8.5	<b>Estimated quarters of funding available (item 8.4 divided by item 8.1)</b>	209
	<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>	
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: N/A	
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: N/A	

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: N/A

*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: 26 July 2021

Authorised by: The Board  
(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.