

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

1 November 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 September 2024 and update on business progress.

## Highlights of the September Quarter

- **Cash receipts of AU\$264k, primarily through monthly recurring revenue**
- **Recurring monthly revenue streams total [AU\$1.12m] in annualised recurring revenue (ARR)**
- **First revenue received from Intelligent Monitoring Group (ASX: IMB) post quarter end**
- **Completed \$4.4m recapitalisation, including conversion of debt to equity**
- **Advanced industry consolidation strategy, resulting in signing of Letter of Intent for synergistic acquisition of Roo Inc, with the combined entity expected to emerge EBITDA positive**

## Financial Highlights

Scout generated quarterly cash inflows from operations of AU\$264k, primarily through monthly recurring revenue.

Monthly recurring revenue (MRR) totalled \$287k 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.

The Company continues to progress opportunities with existing and potential partners and work through its sales pipeline to deliver revenue growth. The Company held cash at bank of AU\$212k as at 30 September 2024.

In August, the Company advised of the close of its partially underwritten non-renounceable entitlement offer (Rights Issue) announced to ASX on 11 June 2024.

The Rights Issue offered eligible shareholders registered on the record date the ability to subscribe for 3 new fully paid ordinary shares in the capital of the Company (Shares) for



every 2 Shares held at an issue price of \$0.004 per Share (\$0.40 post-Consolidation, defined below), together with 1 free attaching option to acquire a Share (Option) for every Share subscribed for, to raise a maximum of \$1.57 million through the issue of up to 393.05 million Shares (New Shares) and 393.05 million free attaching Options.

The Rights Issue closed with the Company securing funding of \$624,580.17 (before costs), comprising:

- \$193,857.10 in gross proceeds from the issue of 48,464,275 Total New Shares and Options applied for by eligible shareholders under the Rights Issue
- \$264,722.90 in gross proceeds from the issue of 66,180,725 Total New Shares and Options to be issued pursuant to the underwriting agreement between the Company and PAC Partners Securities Pty Ltd
- \$166,000.17 in gross proceeds from the issue of 41,500,043 Total Shortfall Shares and Options

The Rights Issue was completed in conjunction with a placement of Shares and free attaching Options on the same terms as under the Rights Issue, which completed in the quarter ended 30 June 2024 and raised \$375,420. Together, the Rights Issue and Placement raised a total of \$1 million.

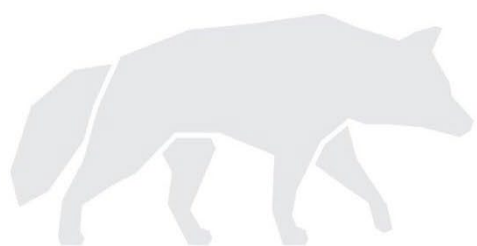
The proceeds of the Rights Issue and Placement will support ongoing rollout and scale of Scout's partnership with Lumen Technologies, its new partnership with Intelligent Monitoring Group (ASX: IMB), progressing potential growth opportunities with new WiFi Sensing security partners and working capital requirements.

Further to its successful Rights Issue and Placement, which played a key role in the broader \$4.4 million recapitalisation of the Company announced in the prior quarter, the Company remains actively engaged with various parties regarding capital requirements.

In July, the Company held an Extraordinary General Meeting (EGM) with all resolutions being carried. With shareholder approval granted at the EGM, the consolidation of the issued capital of the Company on the basis of one (1) security for every one hundred (100) securities held was completed in August (Consolidation).

The post consolidation securities on issue are as follows:

Security Code	Security Name	Post-Balance
<b>SCT</b>	Ordinary Fully Paid Shares	14,127,944
<b>SCTAJ</b>	Unlisted Options (31/12/24 @ \$13.50)	14,334
<b>SCTAL</b>	Performance Rights	162,317
<b>SCTAM</b>	Unlisted Options (18/3/25 @ \$7)	9,000
<b>SCTAN</b>	Unlisted Options (21/4/25 @ \$10)	54,000
<b>SCTAQ</b>	Unlisted Options (31/7/26 @ \$7)	23,005
<b>SCTAR</b>	Warrants (1/5/26 @ \$5)	341,733
<b>SCTAT</b>	Unlisted Options (13/6/26 @ \$0.50)	11,858,656
<b>SCTAU</b>	Unlisted Options (13/6/26 @ \$0.40)	440,009



### *Industry recognition*

In September, Scout was named by CBS Essentials as one of the top 5 no-contract home security companies of 2024, rated as the market's best budget-friendly option.

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

Payments to related parties and their associates during the quarter totalled AU\$52k, relating to executive directors' salaries.

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\$242k 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\$209k were lower than the previous quarter and reflect the cost reductions which have been implemented.
- In reference to item 1.2(b) of the Appendix 4C, product manufacturing and operating costs totaling AU\$208k 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 and other funding initiatives currently being contemplated by the board.

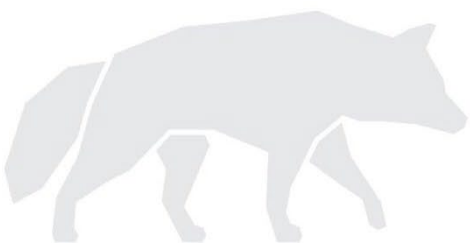
An Appendix 4C report follows.

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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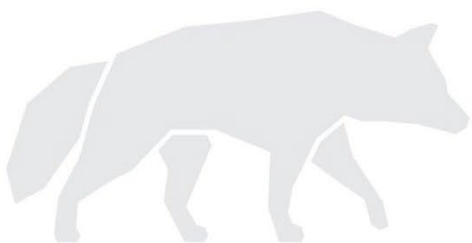
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## About Scout Security Limited

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")**

30 SEPTEMBER 2024

<b>Consolidated statement of cash flows</b>	<b>Current quarter \$A'000</b>	<b>Year to date (3 Months) \$A'000</b>
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	264	264
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating costs	(208)	(208)
(c) advertising and marketing	-	-
(d) leased assets	-	-
(e) staff costs	(209)	(209)
(f) administration and corporate costs	(242)	(242)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	-
1.5 Interest and other costs of finance paid	(35)	(35)
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>(430)</b>	<b>(430)</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 (3 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)	593	593
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	-	-
3.6	Repayment of borrowings	(114)	(114)
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other: Share Application	-	-
<b>3.10</b>	<b>Net cash from / (used in) financing activities</b>	<b>479</b>	<b>479</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	164	164
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(430)	(430)
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 (3 Months) \$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	479	479
4.5	Effect of movement in exchange rates on cash held	(1)	(1)
4.6	<b>Cash and cash equivalents at end of period</b>	<b>212</b>	<b>212</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	212	164
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>212</b>	<b>164</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	52
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 Executive Directors</p>		

7.	<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	1,313	1,313
7.2	Credit standby arrangements	-	-
7.3	Other (please specify)	-	-
7.4	<b>Total financing facilities</b>	1,313	1,313
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>In the September 2024 quarter the company converted over half of the facility to equity, for a remaining balance of 1.2 mil AUD.</p> <p>The remainder of the loan facilities include three new facilities which 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>			

8.	<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)	(430)
8.2	Cash and cash equivalents at quarter end (item 4.6)	212
8.3	Unused finance facilities available at quarter end (item 7.5)	-
8.4	Total available funding (item 8.2 + item 8.3)	212
8.5	<b>Estimated quarters of funding available (item 8.4 divided by item 8.1)</b>	.49

*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. The company anticipates an improvement in net operating cash flows in the upcoming quarters due to an increase in cash receipts as outstanding accounts receivable come due. The Company's net operating cash flows for the quarter were less positive than anticipated due to interest accrual under the Company's debt facilities continuing at a higher rate than anticipated (i.e. prior to completion of the conversion of a majority of the debt and deferral of interest payments) and delays in receipt of initial revenue received from IMB. To this end, post-September quarter end, the Company was paid ~US\$85k (~A\$129k at an exchange rate of US\$1:A\$0.6566)) under its partnership with IMB.

Additionally, operating expenditures are expected to decrease, driven by reduced debt payments and interest accruals, and the full realization of cost-saving measures previously implemented.

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: Yes. The company previously completed its recapitalization funding. The recapitalization introduced approximately 11.8m options at A\$0.50 that would infuse up to A\$5.9m if exercised.

Further, the company intends to raise a minimum of A\$950k via a placement and SPP in the coming quarter to support the ongoing operations of the business, the acquisition of Roo Inc. (refer announcement dated [date]), and the costs of that transaction. The company has discussed the proposed capital raising with PAC Partners Pty Ltd (the lead manager of its recently completed capital raising) who have indicated that they are supportive of raising the further capital contemplated and anticipate that they will be appointed as lead manager to the capital raising. The company also has the ability to refinance its existing loan with Moby Corp, which if completed, would bring in approximately A\$150k in borrowings. [astly, as the Roo transaction completes, the company will receive any cash reserves that Roo Inc. holds, the amount which cannot yet be estimated.

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. Due to the increased receipts in coming quarters, reduction in operating expenditures, borrowing potential, capital raising efforts, and the in-process acquisition of Roo Inc., the company expects to continue operations in perpetuity.

*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.

01 November 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.