

ASX RELEASE

28 April 2021

Scout Security March 2021 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 2021 and an update on business progress.

Highlights

During the quarter, Scout:

- **Marked the launch of Qido in Peru, the first international sales region for the security suite developed by Scout for Prosegur**
- **Announced the planned expansion of the Prosegur program into 2-3 additional countries in CY21**
- **Executed a scope of work and secured a US\$1 million initial order program with its previously-announced telecommunications white label partner. The Company remains on track to launch this white label program in the June quarter**

Business Update

Scout Security CEO, Dan Roberts, said:

"We are pleased to have surpassed key milestones in our white label program during the quarter, launching internationally and receiving and placing supply orders. The relationships with our partners are becoming more entrenched which is a strong foundation on which we will build in the coming quarters.

"The launch of the Qido security suite with Prosegur in March marked the beginning of what our team feels can be a significant pipeline of sales as we look across Prosegur's 26 country footprint. Through the partnership with Prosegur, Scout has gained access to the Spanish-speaking world. In just a few short weeks of marketing, the initial Qido commercial has amassed more than 500,000 views on YouTube, which speaks to the reach of our partners. Early sales to end users have been recorded.

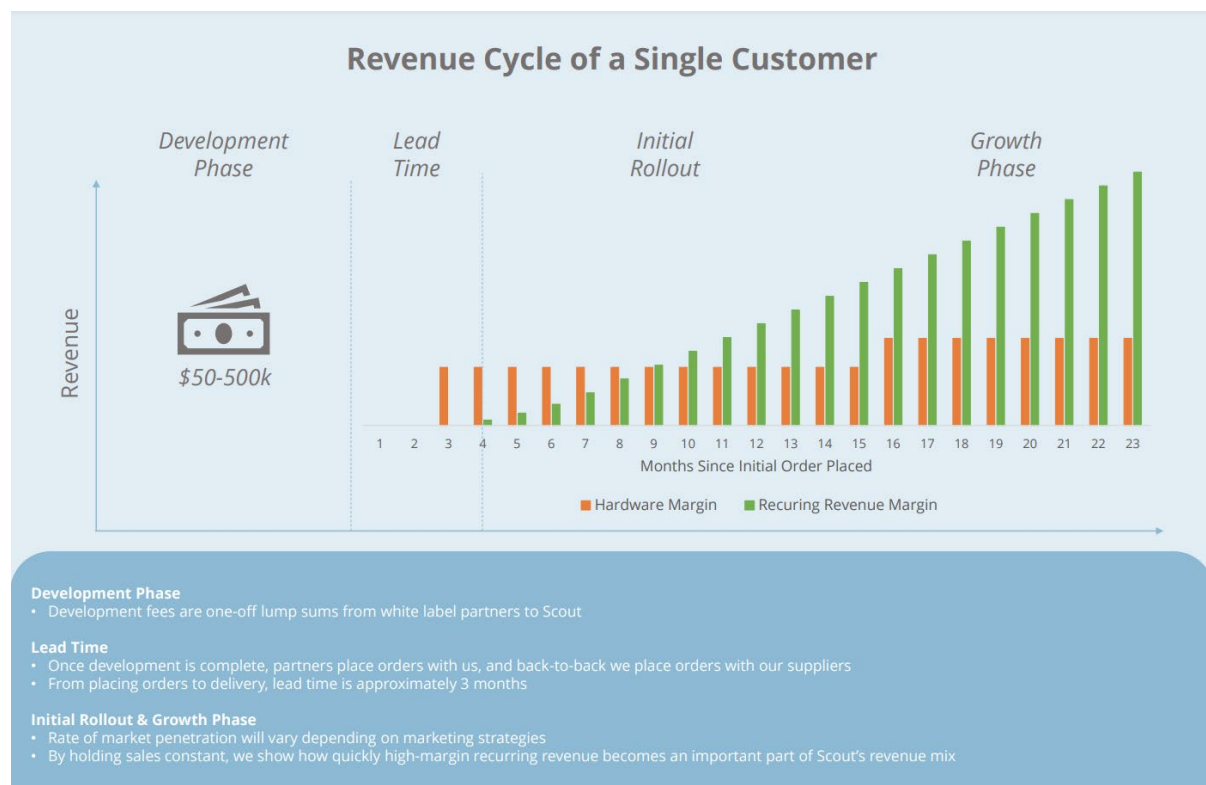


"In addition to our launch in Latin America, in January we secured an initial order pipeline of over US\$1 million with our first US telecommunications white label partner. Since then, we have been placing monthly orders and the customer development work is in full swing. We look forward to updating the market soon when we launch the program, which is on track to happen in the June quarter. Following the launch, we expect to start recognising revenue from hardware sales which will then lead to monthly subscription revenue growth over the back half of calendar year 2021.

"Through CY21, as our partners roll out their marketing programs, we expect visibility to rise and underpin sustainable revenue growth for Scout. In addition, we are still working a pipeline of new white label partnerships and we hope to close new deals this year."

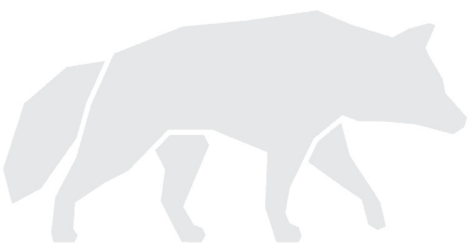
Financial Performance - Understanding Our Revenue Cycle

The chart below depicts the typical revenue cycle of a single customer. It is intended to display the extent to which recurring revenue becomes increasingly important to Scout's financial performance as each white label program grows beyond its initial rollout.



The lead time from ordering stock from the Company's suppliers to delivery is typically 3-4 months from the time a purchase order is placed. Scout generates revenue from hardware sales on Net60 terms from the moment the hardware ships from its suppliers in Asia. Similarly, Scout owes its suppliers for equipment Net60 from the time of shipment, resulting in parity terms. In any cases where a sub-supplier is not extending Net60 terms, we seek waivers from our clients to achieve parity.

Once in receipt of stock, Scout's partners start to sell product into the market. The Company cannot predict the rate of growth or uptake, as this is contingent on many factors not in Scout's control.



However, the Company notes that its partners' placement of steady monthly orders with Scout in 2021 to date indicate their expectation of turning that stock over as soon after delivery as possible. On that assumption, Scout expects that orders received from its partners will soon lead to growth in its recurring revenue base.

In FY20, Scout earned substantial development fees from white label partner programs. These payments are typically large with high margin but are "lumpy" and "one-off" in their nature. Whilst we hope to grow our partnerships, our focus currently is to help our current partners roll out and sell product. This will mean we record hardware sales and later subscription revenue. The nature of this revenue by comparison to development revenue is that it is smaller, lower margin but it is repetitive and will form the base of a growing recurring revenue base in the medium to long term.

Outlook

Through CY21:

- The Company expects its white label partners to ramp their marketing and sales efforts over the coming months, which should support growth hardware sales and in recurring revenue.
- We anticipate launching in 2-3 additional geographies with Prosegur.
- We are hopeful that we will close with at least one other white label partner.

Macro factors, such as the boost to US household incomes from the latest round of government spending measures could add to the momentum in DIY consumer products as part of the broader expansion of online retail sales.

The progress of Scout's Company-specific initiatives and favourable industry backdrop provide management with increased confidence in the revenue growth outlook and path to positive cashflow for the business.

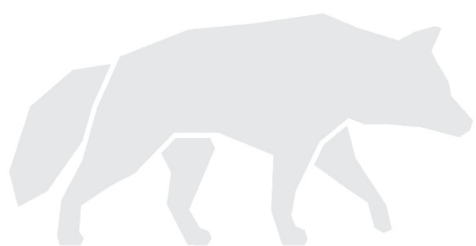
Financial Performance

In terms of financial performance, the Company's cash receipts in the March quarter were up on the previous three months, with cash from customers of A\$0.26 million in the period, or A\$64k above the December quarter. This level of cash collections is reflective of where the Company is in the development cycle, i.e. Scout didn't record any development revenue during the quarter and was in the "lead time" phase waiting on hardware deliveries.

The Company's cash balance as at 31 March 2021 was AU\$1.9m which includes a A\$147k reduction just before the March quarter end for a supplier prepayment, from which Scout received A\$197k from its client in April 2021.

Investor webinar presentation

Scout presented at the NWR Small Cap Conference on Monday, 22 March 2021. A recording of the webinar can be viewed through email registration via the link in the Company's ASX announcement of 18 March 2021.



Statements pursuant to ASX Listing Rule 4.7C.1

Payments to related parties and their associates during the quarter totalled \$45k which relates to executive remuneration, and \$29k for non-executive director fees.

In reference to item 1.2(f) of the Appendix 4C, administration and corporate costs totalling \$499k were higher in the quarter, due to the timing of paying creditors.

In reference to item 1.2(e) of the Appendix 4C, staff costs totalling \$394k were lower in the quarter, due to timing of payments.

In reference to item 1.2(b) of the Appendix 4C, product and operating costs totalling \$211k were slightly lower in the quarter.

An Appendix 4C follows.

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

For more information, please contact:

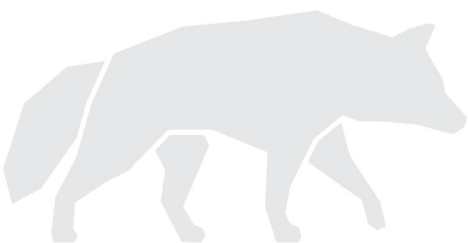
Dan Roberts
Chief Executive Officer
investors@scoutalarm.com

Tim Dohrmann
Investor and Media Enquiries
+61 468 420 846
tim@nwrcommunications.com.au

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")

31 March 2021

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (9 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	258	1,465
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating costs	(211)	(663)
(c) advertising and marketing	(12)	(29)
(d) leased assets	-	-
(e) staff costs	(394)	(1,159)
(f) administration and corporate costs	(499)	(1,739)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	-
1.5 Interest and other costs of finance paid	(16)	(32)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	(874)	(2,157)
2. Cash flows from investing activities		
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)	-	-
2.6	Net cash from / (used in) investing activities	-	-

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	500	3,500
3.2	Proceeds from issue of convertible debt securities	19	750
3.3	Proceeds from exercise of options	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	(16)	(245)
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)	-	-
3.10	Net cash from / (used in) financing activities	503	4,005

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	2,279	62
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(874)	(2,157)
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)	503	4,005
4.5	Effect of movement in exchange rates on cash held	1	(1)
4.6	Cash and cash equivalents at end of period	1,909	1,909

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	1,909	2,279
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	1,909	2,279

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	75
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>		

7.	Financing facilities <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>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
7.1	Loan facilities	-	-
7.2	Credit standby arrangements	-	-
7.3	Other (please specify) Convertible Note facility	1,963	713
7.4	Total financing facilities	-	-
7.5	Unused financing facilities available at quarter end		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.</p>		

8.	Estimated cash available for future operating activities	\$A'000
8.1	Net cash from / (used in) operating activities (item 1.9)	(874)
8.2	Cash and cash equivalents at quarter end (item 4.6)	1,909
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)	2,285
8.5	Estimated quarters of funding available (item 8.4 divided by item 8.1)	2.6
	<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: 28 April 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.