



ASX RELEASE

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Scout updates partnership with Zego, adding Recurring Revenue

Home security provider Scout Security Limited ((ASX: SCT), “Scout” or “the Company”) is pleased to advise that the Company has signed an updated partnership agreement with its key resale partner Zego.

Zego is a leading US provider of smart home device and service packages to apartment residents and managers.

Under the terms of the parties’ existing sales partnership, first announced to the ASX on 16 October 2017, Zego has ordered more than 7,000 systems from Scout. The rate of order flow and deployment has exceeded both parties’ expectations over the course of the partnership, which has continued to operate until now under the agreed terms, beyond its 12-month initial duration.

With Zego now having reached a critical mass of installed systems, the parties have worked to update their agreement to align with the future of the partnership. The updated agreement includes the addition of monthly recurring revenue on active systems due to Scout for interactive services. Further to this, Scout has agreed not to work with select Zego competitors in exchange for Scout becoming the exclusive provider of home security services offered by Zego. The companies continue to work towards making additional security subscription service offerings available under the partnership.

To enable the Zego smart home solution, powered by Scout to gain scale and drive recurring revenue as rapidly as possible, within the 20 million unit US apartment market, the parties have agreed to a revised Hardware Purchase, Software Licence and SaaS Agreement with the following key updates:

- The agreement will become effective on 1 May 2019 and run for an initial period of five years, automatically renewing for successive terms of one year each unless notice of desire not to renew is provided in writing by either party
- Zego will continue to purchase hardware (Scout hubs) from the Company through purchase orders
- The agreement more formally defines installation and integration support responsibilities and applicable fees for existing and new hardware devices
- Zego will pay Scout a monthly fee based on the number of Zego customers with hubs connected to Scout interactive services during the prior month. Deployed hubs which Zego customers have activated prior to 1 May 2019, will be grandfathered into a lower pricing plan for a period of 18 months. Zego will pay Scout a higher monthly fee for hubs activated on or after 1 May 2019. On 1 November 2020, all active hubs will switch to the higher monthly fee



- Scout has granted some limited exclusivity concessions which restrict the Company from providing services to select competitors of Zego
- Zego has agreed that the Scout Professional Home Security Monitoring Services will be the exclusive home security product offered by Zego

Scout Security CEO, Dan Roberts, said:

"Zego has made incredible progress with their business since our initial agreement and it's exciting to set the stage for the future of our partnership with this updated agreement. Both companies are cognisant that the smart home space moves quickly and we believe this updated agreement better reflects both of our go-to-market strategies."

"Adding additional recurring monthly revenue with this agreement is great, but I'm even more encouraged that we were able to memorialise terms around exclusivity. Given the number of hubs deployed in the market now, it was important to Zego that Scout not be fueling a direct competitor and, similarly, for Scout to know that Zego is not offering security services from another vendor."

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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. In 2016, the Scout system was recognised by CNet as one of the Best Smart Home Devices of the year.

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 Works With Nest and Samsung SmartThings. Scout is also an Amazon Alexa Fund portfolio company.

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